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BUSINESS REVIEW

Inside

THE WEEK

ICG's plastics report points to development — Page 3.
Farmers' voice fears of big project investment — Page 5.

COMMENT

Editorial: Without word of a lie and John Sloan's comments on the planned insurance merger — Page 6.
Brockie's view and Richard Norman examines international opposition to restructuring — Page 7.
Letters to the Editor — Page 8.

POLITICS

Inside and out abounding in Labour collapse theories — Page 9.

ECONOMICS

Soaring freight rates bite in to farm incomes — Page 11.

O'BRIEN ON BUSINESS

Rowling shoots from the lip at insurance development — Page 12.
Analysing annual accounts: Leyland Investments Ltd — Page 13.
Proof of the (poodle) pudding is what you do — Page 14.

STOCK EXCHANGE

A review of the weekly sharemarket turnover — Page 15.

GOVERNMENT ADMINISTRATION

Electricity profits propping civic projects — Page 16.

PACKING INDUSTRY

ICG probe could bring pricing practice changes — Page 17.

SCIENCE AND TECHNOLOGY

Water heater pump beats electricity bills down 80 per cent — Page 19.

SECURITY

Public access to expert opinion denied by Act — Page 22.

THE ARTS

The tasty way of sampling erotica — Page 20.

THE AUSTRALIANS

Rising dollar value hits exporters — Page 21.

ADMARK

Masius merger puts agency among top 10 — Page 23.

SOCRED PHENOMENON

A convenient refuge for conservative National deserters — Page 24.

COMPUTERS

Defence order marks shift in Government supplies — Page 25.

TRANSPORT

Corporation status clouds road limit victory — Page 26.

MANAGEMENT

Complementing references with psychological tests — Page 27.

ENERGY

Federal Treasurer questions whether "subsidies" — Page 28.

Meat marketing push faces scuttling by UK strikers

by Rae Mazengarb

THE meat industry's export marketing strategy faced serious disruption last Friday as British seamen continued their strike.

"We've not yet pressed the panic button," said one industry source — but concern within the industry was mounting daily.

If the strike continued for much longer (it was unresolved when *NBR* went to press) the industry's position could become critical.

The essential problem — apart from the interruption in exporters' cash flow — is in marketing. Exporters and Meat Board officials have met already to revise their marketing plans.

Normally the lamb promotional campaign would be in full swing. But because of the dispute, the main thrust has been postponed.

The six-month period to June is crucial for marketing our lamb in Britain. Prices are now beginning to pick up and every week we are unable to supply the market means the loss of optimum prices.

In theory we could ship to Britain up to the quota imposed by the EEC — 245,000 tonnes. But it is not likely the marketing strategy involves such a high shipment.

Last year we shipped 180,000 tonnes.

The Meat Board is not telling how much it is sending, but some sources suggest this year's plan is to ship around 170,000 tonnes as part of the strategy to divert into other markets.

Exporters are unlikely to contemplate diverting lamb to other markets. This is the first year of the voluntary restraint agreement with the EEC and the industry considers it

inappropriate to do anything but fulfill original plans.

The strike has frustrated the free movement of products to Iran and Iraq because shipping schedules have been disrupted.

Thirty-six million dollars worth of exports were stuck on ships around the New Zealand coast last week, and ships bound for the Middle East, Europe and North America were all reported to be affected by the dispute.

The dispute has tied up 315 British ships. Eight lie idle in ports around New Zealand.

More than 60 per cent of our meat and dairy produce is carried by British lines affected by the strike, according to one shipping source. He described the situation as serious.

The "most frustrating thing is that the solution is completely out of our hands," he said. Meat Exporters Council chairman Peter Norman said



Peter Norman... the market was coming right

last Thursday it was ironic that the strike, with its disruptive effects, had occurred at a time when the British market was coming right and lamb prices were approaching levels which could be considered some-

where near satisfactory.

The strike was making exporters cautious, he said.

The industry had been in total agreement on the proportion of lamb to be sent to Britain before June, but shipments now would have to be reviewed.

But Meat Producers Board assistant general manager for marketing Graham Harrison was optimistic.

The ships manned with New Zealand or Australian crews were not affected by the situation, he pointed out. And any repercussions for the marketing plan related to the strike's duration.

So far, he said, there was mere speculation and no firm indication that the strike would be prolonged.

"We might have to think about bringing in other vessels with non-British crews," Harrison said.

Continued on Page 3.

South American coup

AIR New Zealand and the Government have pulled off a remarkable deal fulfilling the highest aspirations of the 1979 external aviation policy white paper.

From April 4 Aerolinas Argentinas will unload up to 350 passengers a month in Auckland.

After an overnight stay or a longer sojourn, those passengers will travel on to Australia, Hong Kong, Fiji and Japan exclusively on Air New Zealand services.

At the end of their month-long jaunt in the Pacific Basin, the Argentines will return home either through Auckland or connecting with Aerolinas services in Los Angeles.

In terms of the national interest, New Zealand cannot lose. Aerolinas' enthusiasm to open the polar route with Boeing 747SP jumbo jets, similar to those Qantas is about to inaugurate on the Tasman route to Wellington, has allowed the Government and Air New Zealand to dictate normally unacceptable conditions.

Aerolinas, after preliminary negotiations with Qantas failed, wanted to use Auckland as a staging post for commercial flights through to Hong Kong and, later, to other points in the Orient.

Air New Zealand, which till recently has ignored South America, was not keen on conceding the rights on a route on which it now has a monopoly.

Optimistically, Aerolinas initially sought the right to

operate freely between Auckland and Hong Kong, competing directly with Air New Zealand.

Keen to protect its monopoly and its high fares, compared with those between Sydney and the British colony, Air New Zealand rejected the Argentinian airline.

Effectively, Aerolinas will now operate back-to-back charters feeding Air New Zealand's Pacific network. The inbound tourist industry will also gain as most Argentines — and Brazilians, Uruguayians and Paraguayians — are expected to spend at least part of their holiday seeing the sights of Rotorua and the South Island.

Aviation Week and Space Technology, in a recent traffic survey of 1980, noted that the South American market was one of the bright spots in an otherwise gloomy commercial airline world.

Traffic between North and South America was up 15 per cent over 1979 and between Europe and South America a 7 per cent increase. "Much of the increase was due to a boom in travel from Brazil and Argentina," the magazine said.

"Argentine travel has been strong," it said attributing the cause "to the high rate of inflation in Argentina that provides an incentive for travel."

The magazine noted that, early last year, the Brazilian Government rescinded

Continued on Page 2.

Labour's infighting

LABOUR can always do it better when it comes to political infighting. Not content to let National's deputy leadership squabble hog the limelight, the Opposition got in on the act too as David Lange stated his intention to test his standing as deputy with the first Labour caucus of the year.

AS senior MP sought to defuse challenges from former deputy Bob Tizard and Russell Marshall, Nelson MP Mel Courtney indicated he would resign from the party later this year and stand as an independent in November.

IN Britain Labour's gang of three-right wingers — Dr David Owen, Shirley Williams and Bill Rodgers — all but severed their links with the party and prepared to launch a centre social democratic party with the backing of former Home Secretary and Chancellor in Harold Wilson's governments, Roy Jenkins. David Steele's Liberals are also expected to come to the party.

WELLINGTON'S suburban electric rail network will be extended to Paraparaumu, almost 40 years after the proposal was first mooted at a cost of \$1.7 million. Work will begin within six months. It may be coincidental but Energy under-secretary Barry Brill's very marginal Kapiti electorate includes Paraparaumu.

JUSTICE Minister Jim McLay ordered his department to open the doors to the public taking the Government's first tentative step toward the citizen's right to know. Not to be outdone, Prime Minister Rob Muldoon will release the Danks Committee report on freedom of information soon.

UP to 250 teachers who finished training last year cannot find jobs. Fewer schoolchildren to teach and low teacher turnover are blamed... and bad education planning?

ANTI-smelter factions are demanding the Ombudsman halt road works on the highway to Aramoana before the Planning Tribunal has had an opportunity to hear their objections to the proposed Fletcher-Alusuisse development.

STRIKING British seamen stranded six ships around the coast disrupting lamb and dairy exports in particular. As a result Smithfield lamb prices firmed and farmers immediately protested that the freezing companies were not passing on the gain in the meat schedule which has remained unchanged since mid-November.

WE'RE off on another loan raising spree, this time to the Japanese for \$100 million at 8.5 per cent.

AUSTRALIAN newspaper magnate Rupert Murdoch added the *Times*, the *Sunday Times* and its associated publications to his empire.

SOUTH African voters will go to the polls a year early in April to give Prime Minister Peter Botha his personal mandate.

PRESERVING native trees in the Pureora forest cost the taxpayer \$7 million — \$5.1 million compensation to Pureora Sawmills Ltd and \$1.96 million to Ellis and Burnard Ltd whose long-term timber contracts were suspended in 1978.

Business week

ACI Ltd and Acmil Ltd have finalised their merger agreement. Acmil shareholders were offered either 90 cents plus three ACI shares for every five shares held or \$1.38 a share.

Ballie Farmers Motors Ltd: unaudited net profit for six months to December 31 was \$65,000 (last year \$154,000). An interim dividend of 3 cents-6 per cent — will be paid on February 23.

firming its rates by .5 per cent. DIC Ltd will make a one for four cash issue of 1.17 million \$1 ordinary shares at a premium of 70 cents.

Dingwall & Paulger Ltd: unaudited net profit for six months to October 31 was \$321,000 (last year \$200,000). F and P Dealer Rentals will change its name to F and P Finance Ltd and change its accounting year from December 31 to March 31.

General Property Trust: net revenue for the year ended December 31 was \$13,872,377 (last year \$10,289,341). Distribution will be 7.4 cents for the half year to June 30.

B Lichtenstein and Co Ltd: unaudited net profit for six months to December 31 was \$582,671 (last year \$291,783). An interim dividend of 5 cents-10 per cent — will be paid on April 7.

The week ahead

MONDAY: Mantes, Auckland Show buildings. Ends Tuesday.

Large earthquakes overseas. Napier. Ends Tuesday.

XV Pacific Science Congress, Dunedin. Ends February 11.

Society for Animal Production annual conference, Massey University. Ends February 12.

Australian Veterinary Students Association conference, Massey University. Ends Friday.

Exchange rates

As at January 29, the New Zealand dollar sold at:

Britain	90c
United States	91c
Canada	112c
Australia	85c
Fiji	75c
Austria	110c
Belgium	31c
China	1.67
Denmark	6.66
France	4.52
Greece	41c
Hong Kong	4.95
India	7.55
Ireland	52c
Italy	92.6
Japan	191.4
Malaysia	2.02
Netherlands	2.15
New Caledonia & Tahiti	21.3
Norway	5.04
Pakistan	9.28
Portugal	51.5
Singapore	1.97
South Africa	70.3
Spain	77.2
Sweden	4.28
Switzerland	1.75
West Germany	1.92
Western Samoa	80c

Economic indicators

THE \$27 million Sedco drilling ship pushed December's normally bright trade return into the red. Exports were \$519.7 million (442.5 million), imports \$536.8 million (385 million) and the raw deficit \$17.2 million (\$57.4 million surplus). For the last six months the crude deficit —

From Page 1.

regulations requiring Brazilians to post a \$1000 bond before they travelled overseas.

Aerolinas is prepared to begin services as a series of limited charters despite the apparently one-sided agreement. Flights have been scheduled monthly from April through to November 7.

In terms of the 1979 white paper on external aviation policy, the initial agreement is a remarkable coup.

It allows "the development of a network of adequate efficient and competitive air services between New Zealand and other countries to provide travel, trade and communication links" without any risk to Air New Zealand.

"To serve political strategic and economic interests" — South America has been targeted as an area with long-term export growth potential by Trade and Industry. Above all, it will "maximise the contribution of interna-

tional transport services to growth of net foreign exchange earnings," at a minimum.

The only foreign exchange "loss" will be New Zealand attracted by the South American tour packages that will be offered by Aerolinas and Pacific Travel.

Atlantic and Pacific will handle both inbound and outbound groups for Aerolinas. Exporters, who now charter a Los Angeles or comparable Tahiti stopover to get to their fast-growing American markets, may find the service of Aerolinas unless they can fit into monthly scheduled.

Aerolinas and the Government are evaluating proposals for the introduction of regular commercial services prior to inter-governmental talks later this year. New Zealand proposals are understood along the lines of the charter agreement — Aerolinas, should fly Aires-Auckland to New Zealand.

IDC likely to recommend developing plastics

by Allan Parker

THE \$300 million-a-year plastics industry will get its first view of how the Industries Development Commission sees its future when a draft report is distributed later this week.

The report makes several recommendations for the

development of the sector and seeks comment from the various interested parties at a March 10 public hearing designed to seek industry, union and Government department thoughts on possible improvements to the recommendations.

But fears that the industry —

Socred reassures bank employees union

by Ann Taylor

WITHIN a week of sitting down to wage negotiations, the Bank Officers Union last week met Social Credit representatives to discuss the implications of the party's financial policy on union members.

The union is concerned by the league's emphasis on developing regional banking, which implies a limitation on trading banks and the development of trustee savings banks which are covered by clerical unions.

Social Credit's claims that it will control credit and interest rates also potentially threaten the tenure of bank officers employment.

Union secretary Don Aimer told NBR: "We are the first group in the finance sector to take them seriously", and said he was concerned to contribute information and ideas "to all the parties to assist in the whole debate".

Last week's meeting with Social Crediters Gary Knapp and Terry Heffernan was the first in an on-going dialogue with the league which Aimer said he hoped would include a meeting with economics spokesman Les Hunter and leader Bruce Beetham.

The union does not share the view that Social Credit has raised

in the banking sector. Aimer said the league's representatives were reassuring, and had told him that although credit would be issued in different ways, it could be channelled through the same institutions.

Trading banks, apart from the BNZ, are controlled from outside the country, and the union had some sympathy with the league's stance on multi-nationals, Aimer said.

Heffernan said the fact that four of the five trading banks were controlled from outside the country "is not a matter of immediate concern".

"Our industrial relations policy of worker shareholding is likely to see more domiciled control, localised not nationalised".

Heffernan said that although the method of credit control would be changed, loans were only one aspect of the trading banks' work.

"Tertiary" finance institutions — building societies, merchant banks and finance houses — and "the sort of business gravitated in those areas" would be returned to the trading and saving banks, "which would mean an enhancement rather than a diminution" of the union's members role, he said.

'If only COWAN'S Fine Art Papers had been around in my day, I could have been famous!'



Portrait of Rembrandt with a feather in his cap. Etching.

regarded by some as an inefficient, expensive user of imported materials — will be thrown to the wall are unlikely to be realised.

NBR understands that the report finds the plastics industry a growth sector that deserves encouragement and support for future development.

The industry under study has some 250 units throughout New Zealand, largely in the two main North Island centres. It employs some 6000 people and claims direct exports of about \$35 million a year.

Indirect exports in the form of componentry and packaging are further contributors to export earnings.

The IDC is expected to point out the big growth potential for flexible packaging wrapping for the nation's increasing agricultural and horticultural products, including pre-cut

meat. The report is the result of nearly 60 on-site visits by IDC commissioners and a series of 12 separate public inquiries into sectors of the industry.

NBR understands that the report's basic concept will follow previous recommendations from other industry studies.

The essential concept behind the commission's thinking centres on market force pressures to bring about changes within industries.

It does not see its role as a rule-making body that directs the marketplace by regulation.

Thus, this latest report is likely to recommend similar procedures as those suggested for the packing industry (See Page 17). These include a formula for allowing freer access to imported materials and a tendering scheme for import licences, likely to be for a

two-year period.

The industry itself should breathe a little easier when it receives the report for comment.

NBR believes the commission has found the industry refreshingly willing to respond rapidly to changing conditions. This attitude should help the industry continue its consistent growth pattern of the last five years.

In particular, efficiency and technical capacity within the industry have impressed the commission. But the IDC is expected to show less enthusiasm for some products that may not be competitively priced.

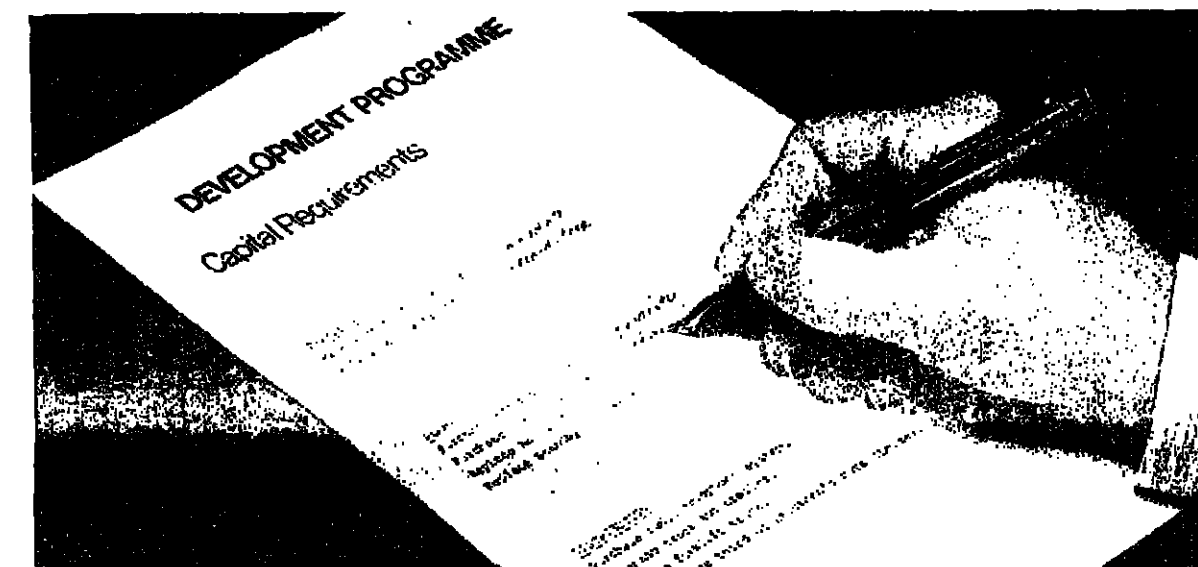
For this reason, the formula for freer access to imports and the proposed tendering scheme for testing purposes would help eliminate this situation. The number of products affected is understood to be small and

employment threatened minimal.

There was considerable concern when the plastics study was initially announced. The industry feared it might be viewed as an inefficient producer of products that could be imported more cheaply, or that a return to wood and glass packaging which used local raw materials might be advocated.

But the IDC, in pursuit of its 'let-the-market-decide' philosophy, is believed to have rejected this argument in its assessment of the industry.

Far from throwing plastics companies to the wall, the IDC will tend towards the view that they deserve the nation's support as a dynamic and growing sector of the economy with a large chunk of its output used by most of New Zealand's primary and secondary industries.



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The week

Waning investment feared in farming sector

by Allan Parker

THE farming industry is becoming increasingly concerned that it will be left behind in the rush to major projects.

Farm leaders fear that their industry will become the Cinderella of investment policies and decisions aimed at developing \$5 billion worth of energy and resource-based projects over the next decade.

Last week's meeting between Federated Farmers officials and Agriculture Min-

ister Duncan MacIntyre about the declining state of the sheep industry was the latest — but by no means the last — step in a campaign to ensure that farmers continue to get a slice of the economic cake.

Federation president Allan Wright described the meeting as "sounding the warning bells" about the effects of inflation on farm costs, particularly with the drop in wool prices and static lamb prices.

The ensuing reduction in

available investment for farm production and maintenance, the farmers argue, could slow the high growth of recent years.

"It is in the interests of the whole country, particularly for the creation of new jobs, that the current momentum continue," Wright said.

The federation has decided that it must adopt a higher profile if farmers' interests are to remain priorities in government policy.

One federation source said this attitude had been prompted by the pressure coming from other sectors of the economy, particularly the proposals for big-project investment.

The Agrow public relations campaign was a first step toward developing this high-profile image, he said. The meeting with MacIntyre — described as "very successful" — was another.

The federation is now completing a "party manifesto" which will set out the policies it would like the Government to adopt to protect farmers' inter-



Duncan MacIntyre . . . high profile meeting



Allan Wright . . . sounding the warning bells

was summed up by one official: "Dollar for dollar, farming is still a good investment."

But: "We are concerned that under the current circumstances competition for capital is not on an equal basis, and would suggest for example that the forestry companies enjoy considerable advantages in the competition for capital and land."

The industry has launched a head-on attack against the export incentives system which it says has "become embedded in the economy and is now creating distortions in many sectors."

Other key elements of the federation's stance include a reduction in protection for local industries and continued reductions in direct tax instead of wage rises.

A federation official agrees that 1981 is "a good year" to be pursuing a higher profile.

With the upsurge in rural support for Social Credit, "it is logical for us to be presenting such things as a manifesto and submissions for consideration by all political parties."

rests. The manifesto will probably be published late this month.

Some of the key issues likely to be established in the manifesto are embodied in the federation's submission to Finance Minister Rob Muldoon for this year's Budget.

"Competition for capital resources will increase during the next decade, with agriculture, energy and forestry com-

peting for the same capital resource," the submissions say.

"It is important that capital be directed to those areas where the greatest increase in production can be obtained, particularly net export earnings. As agriculture produces in excess of 76 per cent of all export receipts, the opportunities are by far the greatest in this sector."

The federation's position

Why be a Struthio camelus*

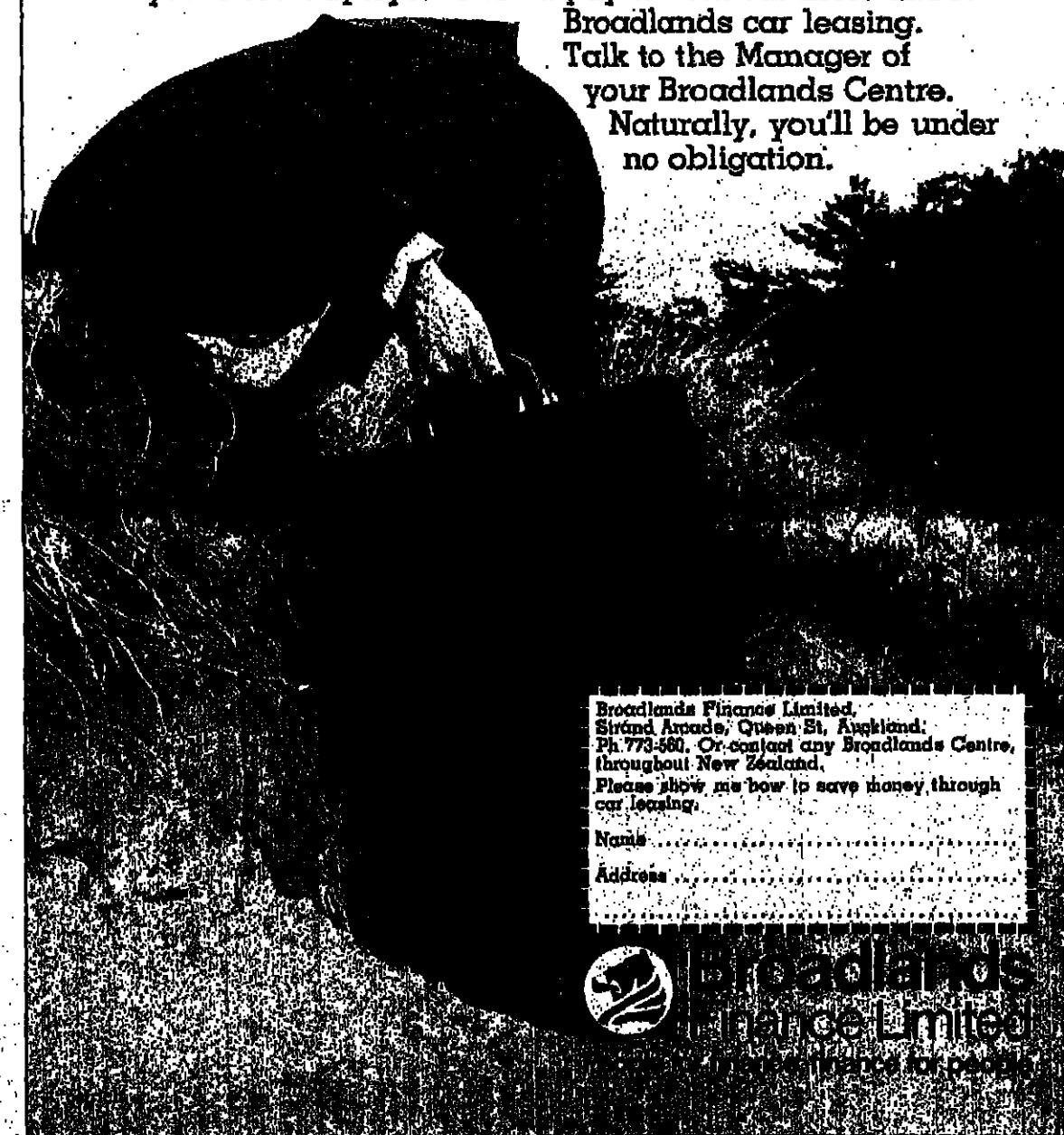
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Comment

Editorial

ELECTION year has opened with neither the National nor Labour parties certain who will be their deputy leaders in the campaigning to win popular support and to stave off the threat of electoral losses to Social Credit. The retirement of Brian Talboys at the end of this Parliamentary term has resulted in at least three National Cabinet Ministers jockeying to replace him in a job which — depending on who is chosen — must give a pointer to who will succeed Prime Minister Rob Muldoon eventually as party leader. A question marks surrounds Labour's deputy leadership only because of the curious decision of David Lange to satisfy himself about the extent of his colleagues' support for him in a post he already holds.

National will decide the deputy leadership issue at its first caucus meeting of the year on Wednesday. Muldoon's choice is no secret: the Prime Minister reckons that Agriculture Minister Duncan MacIntyre is unquestionably the front-runner (and he would put his money on Energy Minister Bill Birch if MacIntyre was to withdraw). Furthermore, he has claimed that among caucus members, MacIntyre is the least controversial candidate (which suggests that caucus has a peculiar idea of controversy).

Muldoon, of course, is fiercely loyal to his friends and perplexingly tolerant of their shortcomings (best evidenced in his persistent defence of Transport Minister Colin McLachlan). He expects loyalty in return and — as the *Evening Post* reported last week — "the degree to which it is necessary for the new deputy leader of the National party to be 'agreeable' to the Prime Minister" was a major factor in the issue.

Housing Minister Derek Quigley has emphasised that he has "a good working relationship" with the Prime Minister and has confirmed his personal loyalty.

Muldoon spurns him, insisting that he would not look forward with equanimity to a deputy leader "who as recently as September last year did not want me as leader of the party". A third candidate — Labour Minister Jim Bolger — may prove to be an expedient compromise if the Muldoon faction cannot prevail with MacIntyre, a Minister whose reputation has been shaken by the Marginal Lands Board inquiry finding that he had acted extremely unwisely and had "an inadequate and faulty judgement of the responsibilities of, and the public image essential in, a ministerial appointment."

The MacIntyre-Quigley battle and its implications for Muldoon's leadership should have been gleefully seized on by an Opposition desperate to make political capital. But Labour decided that the public should be laughing at it instead of at the Government and is staging its own deputy leadership vote on February 12.

The ebullient David Lange, fresh from having a premature crack at the leadership late last year, has decided to resign as No 2 man at the party's first caucus, then stand for re-election. Bill Rowling and other party leaders have made clear they do not believe Lange needs to seek a vote of confidence. But he has persisted, presumably hoping to win an uncontested vote of confidence from his colleagues. Both former deputy Bob Tizard and Wanganui MP Russell Marshall have indicated they may stand against Lange. "There's no way I should endorse Mr Lange

after what he's done and his actions in voting against the leader," Tizard declared.

And so last week, Labour MPs who had initially regarded Lange's moves as logical had become concerned that the resignation must harm the party by re-opening old wounds. The party by then was anxious to dissuade Lange from testing his support in a caucus vote, which is bound to further fracture an already divided party.

Apart from the revival of deputy leadership aspirations, Labour must have been shaken by the report by former MP Roger Drayton, which predicts disaster for the party if an election were held today. Based on his analysis of Labour's problems, during an extensive informal tour of the North Island and his own contacts, the report says the electorate does not trust Labour and is critical of the behaviour of Labour members in Parliament. They are seen as self-serving and self-interested.

Only a dramatic move by leader Bill Rowling can save the election for Labour, the report asserts — and it advocates the dismissal of some selected party candidates and members who led the revolt against Rowling.

Drayton predicts some shock results at the next election unless trends can be reversed. According to his reading of the mood of the electorate, National would take 46 seats, Labour 34, Social Credit 11, and Northern Maori would go to Mat Rata's Mana Motuhake.

Rowling reacted by talking of a "distinct smell of treachery" (although the report was intended to promote his leadership); he maintained that the party's "scientific surveys on voter opinion" did not accord with

the propositions which Drayton put forward. Maybe so. But the Drayton report at least recognises the volatility of the electorate, and a jolt to its system is exactly what Labour needs if it seriously contemplates election victory.

The party should at least appreciate that there are more weighty matters to be tackled than soothing Lange's self-esteem. Revival of the deputy leadership question has diverted the public's attention, for example, from the antics of Police Minister Len Couch, who last week withdrew suggestion that he believes the police should not protect protesters in clashes with rugby supporters during this winter's Springbok tour... he conceded he had made "a mistake" in making his views clear in an interview with the press. Then there has been the question of Tourism Minister Warren Cooper's admission that he had pushed hard a Waimangu Valley Thermal Tours Ltd could take over the lease of the Waimangu road trip by January 1. (The lease was not put up for tender and Cooper said he moved quickly to "cut through red tape" because he was "anxious to see the intending lessee get the benefit from the holiday season").

What the voters will be deciding in November is which party they consider best fitted to run this country. A party which shows it cannot sort out the problems of its own organisation and cannot effectively act as watchdog over the Government's administrative performance deserves to be booted back on to the Opposition benches. And it deserves to find that just a few more of those benches are being shared by Social Credit candidates.

Bob Ellis

Comment

by John Sloan

THE insurance merger that has been talked about for years last week became a reality when the New Zealand Insurance Company and South British Insurance Company announced their intention to discuss merging the two giant insurance groups.

With combined assets of just over \$1 billion plus an estimated joint income of \$500 million, the new company will be major force in the local and international insurance market.

Neither the NZI nor South British have been immune to the problems crippling insurers world-wide: intensive competition; underwriting losses; over-capacity in the re-insurance market; fluctuating investment income; government legislation; inflation's impact on claims settlements; the effect of new technology; ever-increasing overhead and salary costs.

Just how NZI and South British plan to cope with these problems has not been publicly revealed but the prime objectives of the merger must be to increase effectiveness and profitability.

This should be achieved through a combination of techniques: increased reserves allow more insurance to be internally retained rather than externally reinsured; combining office and computer systems will reduce administration costs;

Merger should minimise premiums

duplication of certain jobs and tasks will be avoided; and an eventual reduction in staff numbers appears inevitable.

A reduction in the extensive duplication of premises throughout New Zealand and Australia should also save significant costs.

Despite honest and sympathetic intentions to protect employees' interests, some carefully nurtured career plans are bound to be shattered by the merger because duplicated jobs and functions will be carefully eliminated in the interests of efficiency.

And some business and professional relationships (many with historical connections) are likely to be severed as the drive to rationalise gathers momentum.

Competition may be marginally reduced, because the two large groups will no longer be fighting each other for business.

The combined investments will give the merged group more clout to obtain or retain business. New policies and services will be offered to the insuring public.

Because the two insurers already hold a large

slice of the local insurance market, we can expect to see some calculated control over the irresponsible competition which has adversely affected the market.

One feature of the proposed merger is the diverse activities of the two companies. Both began from a traditional base of fire, marine, and accident insurance, and later entered the life insurance and trustee fields. They also established finance companies either directly or through shareholdings in other companies.

The combined cash flow of the new group will provide added strength to their investment resources.

The overseas operations of both companies are more extensive than their local activities. Clearly, the overseas interests have played an influential part in the merger discussions and the soft market in Australia probably dominated long-term strategy.

The proposed merger shows that the companies intend maintaining a strong and profitable pre-

sence overseas. Whether they can reverse international trends and pressures remains to be seen.

How will the public benefit from the proposed merger? Presumably a more efficient and profitable private enterprise company is desirable. As overheads will be reduced premium increases should be minimised.

Increased funds for investment should benefit the community, which may also enjoy the flow-on effect from an increased return for the shareholders.

A major benefit for the country will be increased foreign earnings if the group increases net profit from its overseas operations.

Any merger creates the question: what threat further rationalisation?

If insurers see mergers as the only way to survive, there will be. But the insurance industry is too global, dynamic, competitive, and diverse to be monopolised by a handful of multinational insurance companies or brokers.

John Sloan, *NBR's* insurance writer, is an insurance consultant with 25 years of experience in the industry.

Without word of a lie

Labouring for unity

LABOUR Party publicity man Simon Walker must be wondering if TV confrontations with a bellicose Rob Muldoon about the contents of *Jane's Fighting Ships* aren't a less barrowing way of earning a living than trying to present the Opposition party as a politically viable group dedicated to winning the 1981 election.

We have all been made bemusingly aware of the leadership and deputy leadership wranglings among the Rowling team, which effectively promote public perceptions of a kamikaze party only too willing to take the limelight from

National's leadership embarrassments.

But the way we hear it, Walker had an early first-hand introduction to Labour's disinclination to foster a spirit of co-operation and team-work in election year.

He was called on to arrange a press conference for party president Jim Anderton, according to a story doing the rounds on the cocktail circuit, and he had to negotiate for the use of a committee room with one of the party faithful, an MP who insisted that the premises be vacated by a certain time.

Sure enough, the press conference was still being wrapped up when the deadline expired. And in marched the determined back-bencher to sit

down beside Walker and scribble a note which reminded him that the room was needed and commanded him in two succinctly choice words to get out.

Yesteryear's news?

THE mailman has delivered the latest issue of *Communicator*, published by the PR firm Network Communications Limited to tell us what good deeds their staff have been doing and to promote their business.

At least, it looks like the latest issue. But suspicions were raised when we noted that the date — January 1981 — had been pasted on to the front

page, and beneath it we found the words "January 1980". Which makes us wonder if Network's engaging in the socially worthy business of recycling... on top of all those other noble activities of PR people...

Filly rankings

OUR thanks to the *National Times* in Australia for bringing to our attention the following item from Melbourne's *Age*:

"Chris Evert Lloyd had edged out Tracy Austin by two votes for the Associated Press woman athlete of the year. A racehorse third."

Brockie's view



Comment

Restructuring protagonists reconsider position

by Richard Norman

WITH 500,000 people thrown out of work in the European textile industry alone in the past four years, and whole towns almost closed by changes in traditional industries such as steel and shipbuilding, opponents of restructuring are easy to find.

More surprising is that the overseas aid groups which have been advocating restructuring as a way of lessening the gap between the rich quarter of the world and the poor three-quarters are having second thoughts.

The huge gap between the living standards of Europe, North America, Japan and Australia and the "third world" is a major cause of the pressure for industrialised countries to restructure.

Pricing has been the main force for restructuring, but arguments from United Nations agencies and overseas aid and development groups provide some moral justification for the upheavals of the process.

According to the theory, the reallocation of industries to the places with the greatest natural advantages (such as cheap labour), and the closing of high-cost ventures in the countries which industrialised first will benefit both rich and poor sectors of the world. The result should be a world in which the gap is not so large and threatening, and in which prices are cheaper.

That's the theory, which has been expressed in self-interest, survival terms in the report of a commission chaired by former West German Chancellor Willy Brandt.

Since its release early last year, the report has been making an impact in Europe, particularly in Britain, where it has been promoted by commission member and former Prime Minister Edward Heath.

Members of the International Coalition for Development Action have been strong advocates of extensive restructuring, pressing the arguments of third world nations to their governments at a series of United Nations trade and development conferences since 1975.

Three major trends in world trade are causing some difficult re-thinking about the value of restructuring.

Firstly, it has become increasingly clear that international trade is less of a free market than ever. Fully 60 per cent of trade is carried out between subsidiaries of multi-national (or trans-national) corporations, or within cartels or by state trading organisations.

Individual trans-nationals are now clearly more powerful than many of the world's governments, particularly those in third world nations which have gained political independence within only the past 20 years.

The bases of the trans-nationals and their shareholders are within the developed, industrialised world. They become involved in restructuring and establishing industries within the third world with their shareholders, not their host countries, foremost in mind.

Practices such as transfer pricing, enabling corporations to take profits where they chose and to avoid the taxes of host countries have aroused increasing anger within third world nations.

In the late 1960s, a United Nations study showed that the corporations were taking out \$7 billion a year more in repatriated profits than they were putting into these countries.

More recently, the mobility of factories owned by trans-national corporations has thrown a challenge to the belief that industry on any terms equals progress and development. Factories have been moved around the third world in search of the most stable conditions and cheapest workers.

SOME of the protagonists in the debate about industrial restructuring in Europe are thinking about changing sides. Wellington journalist Richard Norman discovered at a conference in Belgium late last year. As a member of the New Zealand Coalition for Trade and Development, he was invited to take part in a conference on industrial restructuring organised by the International Coalition for Development Action — a body made up of non-government overseas aid and development organisations in 19 countries in Europe, North America and Australasia.

Factories have closed in Europe and moved to former colonies of EEC countries which have better access to the economic community's markets than others.

Workers in the Belgian textile industry saw their jobs exported to non-unionised Tunisia. Several redundant Belgian workers occupied one closed factory and are struggling as a co-operative, selling mainly in their immediate area.

Developments such as these in Europe are causing a re-think about the value of restructuring. There is a new cynicism about trans-national corporations among non-government groups such as those represented at the conference.

Third world lobby groups are monitoring the activities of trans-nationals with the same concern that they put into pressing for more government aid 10 years ago, and which during the past five years they put into restructuring trade barriers to enable third world countries to gain markets.

It is likely there will be more campaigns such as that against the promotion by Nestlé's of powdered milk in third world countries.

Non-government organisations began the Nestlé's campaign in the early 1970s when they learned of malnutrition among bottle-fed babies. The reasons: mothers who had been persuaded that bottles were better than breast-feeding were saving on milk powder by diluting it too much, and often using contaminated water.

After years of fact-gathering, the issue is now with the World Health Organisation, which is trying to set standards for advertising by milk-powder companies.

Other campaigns which can be expected to gather momentum during the 1980s are against pharmaceutical companies which buy blood from third world slum dwellers, and chemical companies which have been buying up patent rights to many varieties of seeds.

The new attitude toward trans-national corporations is much less welcoming than a previous attitude which accepted trans-national factories as part of the necessary restructuring.

A second major reason for the new uncertainty about restructuring is the uncertainty about the likely impact of new technologies. The previous advantages of low labour cost countries are disappearing in parallel with the dropping costs of micro-processors.

With robot-controlled factories now almost a common feature in industrial Europe, the former advocates of restructuring are wondering how long it might be before the European users of low-cost labour overseas will bring their industries back home.

Many of the industries relocated to the third world provide little more than the value of labour employed. The textile industry in Sri Lanka, for example, imports components of shirts from all round the world. If such industry moves again, to Europe perhaps, there is a real possibility Sri Lanka will be left worse off than before the industry arrived.

There is also a growing question mark over what is achieved by export-led economic growth. In countries which have most rigidly followed those policies, such as Korea, Taiwan and Brazil, the result has been a widening gap within their

ports from Hong Kong and other third world countries, placed quotas on the textile volume it would accept.

The enormous gap between rich and poor parts of the world means there is a pressing need for change — restructuring by any other name.

But the questions about the way to change lack the simple "throw money at the problem" answers of the United Nations' First Development Decade of the 1960s.

The process of restructuring is at the top of the international agenda for the Third Development Decade of the 1980s. The complexity of the process, and the rapidly changing attitudes toward it mean it will continue to be surrounded with as much controversy at the international level as within New Zealand.

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Letters

Clearing Cresta Dore

I HAVE had drawn to my attention the letter in your issue of November 24, 1980, from Chris Robinson of Melbourne who cloaks his remarks with the authority that he is a small winemaker and a member of the Wine and Food Society of Victoria.

Mr Robinson asks why the industry persists with the Riesling/Sylvaner blend mentality and comments, in most derogatory terms, about my company's product, Cresta Dore, which, as we state clearly on its label, is made from Riesling Sylvaner. In his next paragraph Mr Robinson states that "your Chardonnays, Muller Thurgau and Traminers are first class and are in the main off young vines". It seems obvious that Mr Robinson does not understand that Muller Thurgau is the same grape as Riesling Sylvaner so that he both damns and praises the same grape!

Cresta Dore has had many show successes, but perhaps one of its greatest accolades came from the prominent New Zealand wine writer, Mr Michael Brett, who, after trying many wines on a hot Connoisseurs Club Field Day at Kumeu, remarked "Thank God for Cresta Dore". It has long been a reliable quality product which my company is proud to offer to the discerning public of New Zealand.

D R McWilliam
Managing Director,
McWilliams Wines (NZ) Ltd

Facilitating Americans

I WOULD like to take issue with a statement in your article "Business booming in hiring holiday wheels", (NBR, November 24).

We have just spent four months touring the United States and covered over 10,000 miles in a motor-home. We had our own shower and toilet within the van but we only ever

used the toilet facility as we found that the different campgrounds we stopped at nightly all provided excellent toilet and shower blocks.

We covered campgrounds from the West to East and stayed in a range from "Kampgrounds of America" to National State Parks.

We were totally impressed by all the facilities that campgrounds provided. The sites were good, usually having individual Bar-b-ques and picnic tables provided. The choice was wide and thus we always chose one with a swimming pool and playground facilities for our children. We were usually able to obtain a sewerage site with little difficulty.

Within the campgrounds the owners were by-and-large providing facilities for all range of campers from Recreational vehicles to those with tents and pop-up caravans and the majority did so extremely well.

R P Sommerville (Mrs)
Tokoroa

Fletchers is fallable too

I YOUR article on secrecy (NBR, December 8) raises some very interesting points and I agree with them. I feel certain things in respect to national security should be controlled, but the type mentioned concerning Fletchers is definitely another question.

Why should it be kept secret? If one tells the truth, then one does not need a good memory. With monopolies and Government secrecy, industrial troubles seem to expand beyond control. I have yet to see where a monopoly benefits the public as a whole.

What happens if Fletchers end up like Chrysler, who is going to be taken over by the Government or the Fletcher family and their board of directors with all their other interests, or are they going to go laughing to the bank or into happy retirement? Perhaps Mr Fletcher or Mr Trotter could answer that question.

When Britain was a nation of shopkeepers, she was a wealthy nation, but not now and I can even see New Zealand ending up the same way.

R W Patterson
Christchurch

On Iranian friendship

THE title of the article "NZ no Mecca for Khomeini's friend" (NBR, October 13) is flagrantly misleading, since Ayatollah Khomeini does not have any friendship with the Iranian interviewed by the writer.

Ayatollah Khomeini is the leader of millions of Iranians from different backgrounds within and outside Iran. It seems necessary to point out here that hundreds of scholars, who have attended Ayatollah's classes at Qum and Najaf, do not consider themselves as his friends but as his students and followers. Ayatollah Khomeini has declared on various occasions that he is a friend of all the oppressed peoples of the world.

Mr Jebeli seems to have taken this statement of the Ayatollah rather literally, as he feels he is an oppressed and aggrieved party.

Javad Varjani,
Charge d'Affaires at
Embassy of the Islamic
Republic of Iran
Canberra

Sexual-ist snubbing

IN reference to the article "Sexual snubbery limits direct computer interface" (NBR, November 3), I wish to draw your attention to the use of the word "sexual".

In this context, the correct word to use is "sexist." Perhaps it is a more recent word that has been devised to indicate clearly that a person, company, or otherwise makes or has made a preference for one sex, when in fact the situation can apply to any human being who has the necessary qualification be it health, strength, expertise or whatever.

It is an excellent word which makes its point without any of the usual insinuations which tend to confuse the issue, and I would suggest it would help make possible the very thing the professor was advocating.

Shirley Knox
Auckland

Clarifying Kirkham

WE would like to clarify a point mentioned in Wm. Berryman's article on the Labour Party's "do-it-yourself" election campaign (NBR, January 19). It mentions Geoff Kirkham's involvement and specifically mentions that he works for Campaign Advertising.

What Geoff does with his own time, is his business. However his association with Labour's exercise has nothing to do with Campaign Advertising and we will not be involved in any way.

Our concern, of course, is to avoid guilt by association. There is absolutely no way Labour Party can save the 2 per cent agency commissions the article suggested. It contravenes the whole relationship between agencies and media.

And as for Mr Wyman's current comment on several big agencies, I believe agencies can claim more security than caucus meeting or a policy committee. In fact, I have been better.

Finally, I can't see a "do-it-yourself" campaign working for Labour. Maybe if they elected we can have a "do-it-yourself" Government. No there's a thought.

Terry Chris
Campaign Advertising

KIRKHAM in fact runs his own one-man media consultancy - Communications Ltd - which in turn works for Campaign and other agencies. - Editor.



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Politics

It's time again for Labour collapse theories

by Colin James

NEVER has it been more fashionable to prophesy the imminent breakup of the Labour Party. What old age, political opponents, social reorientation and history are doing to it from the outside, the party also seems bent on doing to itself from the inside.

But social democratic parties all around the world have been given more premature burials even than upstart third parties have had false dawns. It is a natural corollary of the tensions always present on the left and incomprehensible to polite conservatives.

Is the breakup for real this time? Was that comic-opera coup by Billy Hunter Lange and his lower-fourth mates a symptom of irreversible decline?

Evidence piles on evidence from surveys done after the 1978 election and in Rangitikei in 1979 and in the Heylen Poll of the past six months or more that the better-off blue collar workers are susceptible to Social Credit's pitch.

Increasingly, Labour seems to be being pushed into the lower levels of the socio-economic spectrum and out of the middle of the spectrum it must occupy if it is to continue to be a major political force.

On the top five levels of the six-level socio-economic scale devised by the Heylen Research Centre (NBR, January 26), and particularly on the top three levels, Labour was losing support much faster in the last quarter of 1980 than it was either winning or keeping it.

Only on the sixth level did Labour appear reasonably secure against the depredations of Social Credit. Everywhere else on the body-socialist great populist leeches were fastened, growing fat.

In such circumstances one would expect Labour activists to be demoralised, membership to be falling and public interest to be negligible.

Yet the reverse seems to be the case. Membership is up (president Jim Anderton is claiming 80,000), the relationship with the unions is better, public interest has not been too bad, organisational activity is at a much higher pitch than three years ago. There have been difficulties with money, but they are because of a higher spending rate rather than a lower level of supply.

By and large - pockets of discontent apart - the attitude in the party is positive. Amidst all the gloom, the enthusiasm has an eerie feel.

Though the strategists can offer little to counter the trend than more of what they have been doing - after all, according to the books, what they have been doing is what should produce results - activists cling to two crumbs of comfort.

One is a belief that, even if the worst came to the worst and a tidal wave rolled over the electoral scene in November, Labour will not do worse than 30 seats because at foundation it has a rock-solid, class-based core that the looser conservative alliance underpinning National lacks. (I will return to that question next week.)

The other is a hope that it will all come together in time for the election.

This school of thought argues that when the spotlight went on Bill Rowling in the election campaign in November, 1978, he looked

more authoritative and his credibility climbed and with it Labour's stocks.

In the last two or three weeks before the election, droves of previous Labour voters came back from a flirtation with Social Credit or non-voting.

In Onehunga something similar happened. Labour canvassing was finding disconcerting levels of Social Credit support in what should have been Labour heartland areas.

The 20 per cent-plus figures Henry Raynel was coming up with for Social Credit were matched by Labour soundings. But on election day the Labour vote came back. Proportionally, the Onehunga by-election result was close to that for the general election.

Put 1978 and Onehunga together, the theory goes, and Labour could still get the big apple this November.

Even the poor polls showings and the East Coast Bays disaster can be fitted into this theory, by introducing the "two elections" argument: that Labour may well lose votes wholesale to Social Credit in blue-ribbon National seats while in the marginals hanging on to its votes and winning enough off National to capture seats.

From there Labour activists can go on to fantasise a scenario in which National loses a lot of seats to Social Credit because of Labour collapses there, while Labour picks up 10 to 15 seats off National at the main party frontier.

It is the sort of longshot that might keep party workers paddling barbed wire canoes up the creek. But it depends on two conditions at present conspicuously unfulfilled: that this is essentially a two-party fight (with the third party truly the third party) and that the public sees Labour as united.

In more general terms, the ship, no matter how well fitted out, will go nowhere if there is no wind for the sails and the crew cannot agree how to line the sails up.

It was because they felt bemused that the conspirator-MPs last December decided to do some huffing and puffing to make their own wind. The outcome was a lot of hot air and the impression that the crew could not even agree to put the sails up, let alone align them correctly.

The conspirators had something of a point. Rowling might be a good administrator (a point the conspirators contest), and a man of integrity and dogged courage, but he does not exactly sweep the masses off their feet. If ever there was a time for imaginative leadership, to harness the forces of change, this is it. The prize could be rich.

Rowling, the conspirators correctly diagnosed, is not that sort of leader. As Social Credit continued high in the polls, he plaintively appealed to voters at New Year not to break up the two-party system.

But you don't stop a forest fire by acknowledging it is there; you cut fire breaks and start counter-fires.

Lange at his best could be that sort of leader - but he has not been seen at his best much in the past year.

His explanation, as reported to me by another MP: "Two trees cannot grow in the same spot." In other words, we are not going to see very much of



David Lange... spreading brandies, but neglecting roots. the Lange charisma while he has to play second fiddle to Rowling. Shades of the present Prime Minister's low-key role while deputy to Sir John Marshall in the 1972 election.

This obvious frustration no doubt accounts for Lange's breaking of one of the cardinal rules of deputy leadership (of whatever body): to support the leader until he is no longer

leader. Lange votes against Rowling in the confidence motion, to his eternal - and possibly politically fatal - discredit.

But would Lange, given the forest rearranged as he would like, deliver the votes?

Some conspirators took the view that he could do no worse than Rowling, even given the unpromising disunity revelation of their move caused in the party outside the House.

But surely there are questions to be asked about the political acumen of a man who would allow such a challenge to go ahead - with his overt support - without a cast iron guarantee of a clear majority and at least acquiescence by the executive.

Contrast the Kirk conspirators of 1965 or the Muldoon conspirators of 1974 with the creaking coalition of convenience of December 12, 1979

on the dutch courage of a bad NRB poll, that was prepared to go into battle with a majority of one.

The colonels in October knew when they were beaten; the lance-corporals of December clearly did not recognise their vulnerability. At the very least lance-corporal Mike Bassett, once an historian by trade, should have been able to hoist a few warning flags.

There are, moreover, doubts about Lange's substance. No one doubts his charm and his wit, his penetrating intelligence and his inviting warmth, but there are doubts about the depth of his homework.

And, apart from his own charismatic catherine wheels, would he make the Labour team look better?

At least Rowling, though he has not made the most out of the talent available, has put some of

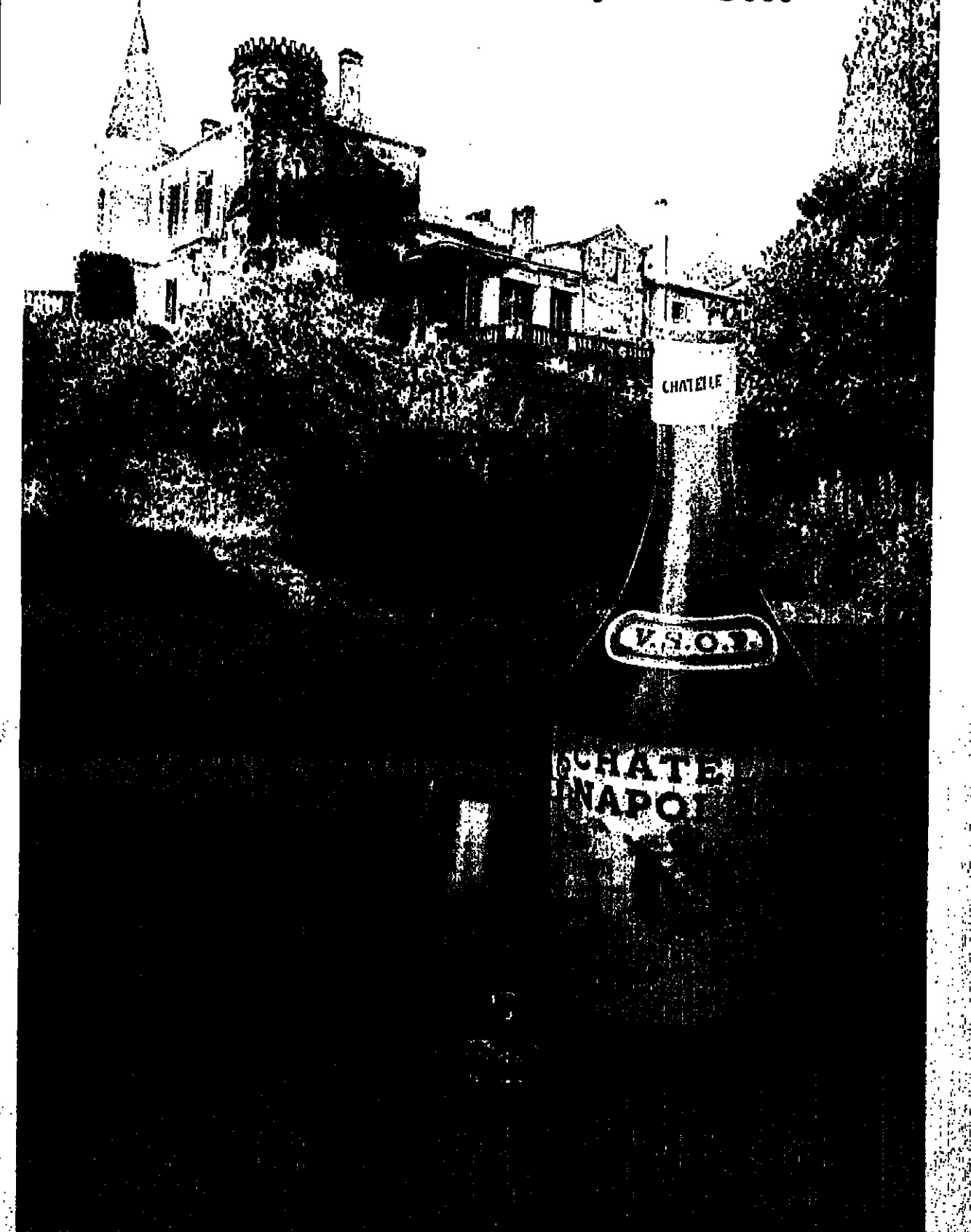
them in productive jobs (most notably the talented Christchurch trio, David Caygill, Ann Hercus and Geoff Palmer) and has been prepared to tell those he thinks are not up to scratch to take a back seat (thus forming a pool of resentful voters for any challenger).

Ironically, the failed coup may - slightly - improve Rowling's public standing, since he came out tough and angry.

But for the time being, the lance-corporals, by their botched job, have dramatically reconfirmed the public impression of their party as dispirited, directionless, disunited and desperate.

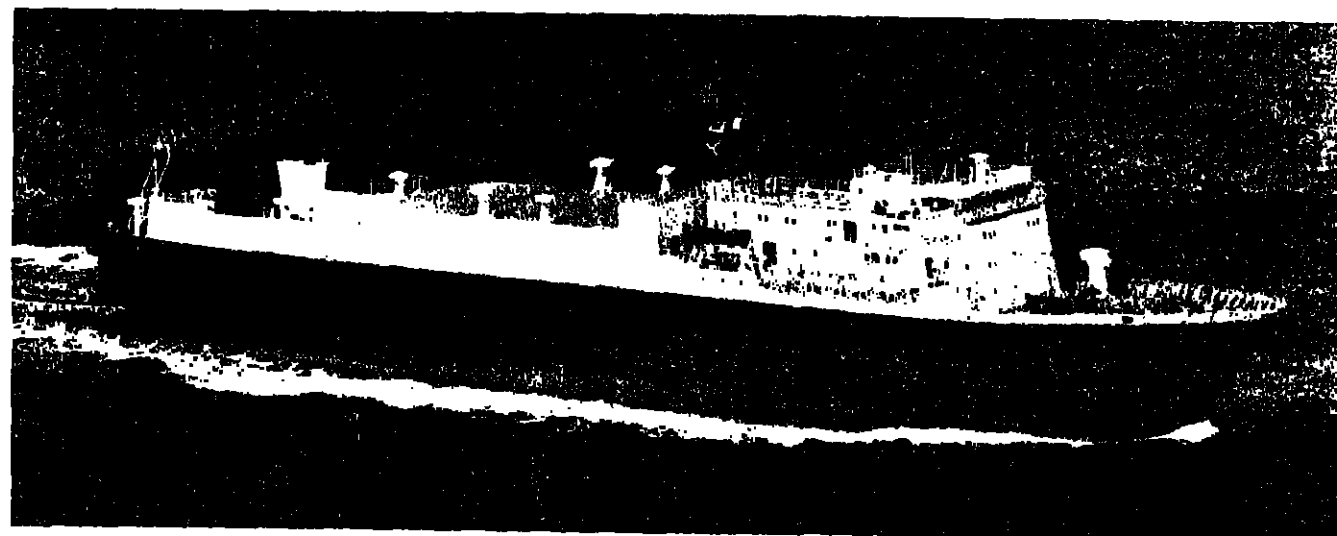
It adds up to "weak". Policies and organisation and enthusiasm count for nothing against that. The weaker Labour looks, and the longer it looks that way, the wider is the door opened to Social Credit.

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Economics

Soaring freight rates bite into farm incomes

Economics Correspondent
NEW Zealanders may have paid as much as \$1200 million in overseas freight costs last year. This contributes significantly to our poor balance of payments position, because a high portion of this charge is incurred in foreign currencies. And because of the way farm gate prices are determined, these costs mean lower farm gate prices to local producers.

In *The cost of overseas shipping, who pays?*, Peter Chudleigh, of Lincoln College's Agricultural Economics Research Unit, examines our growing overseas freight bill, arguing that the burden here is high because we pay shipping costs on exported goods as well as imported ones.

Chudleigh suggested that the Conference Lines may be responsible for the rapid growth in our export shipping costs during the 1970s and concludes that there is a need to research alternative shipping systems.

Chudleigh's interest in sparking off the debate is based on a belief that the facts about overseas shipping have been lacking, although this is a critical area affecting the economy.

Over the 10-year period 1970 to 1979, farm input prices rose by 175 per cent, which is quite enough. But this rise is small compared with the 265 per cent rise in the cost of shipping greasy wool or the 349 per cent rise in shipping butter or the 431 per cent rise in shipping carcass lamb over the same period.

As Chart 1 shows, in October last year, ocean freight costs accounted for nearly 17 per cent of the final price of a lamb carcass to consumer in Britain. And Chart 2 pictures (in a graphic, but exaggerated way) that sea freight costs have risen from 41 per cent to 57 per cent of the farm gate price received by farmers here for lamb destined to Britain.

In 1976, Chudleigh estimated, the sea freight bill for New Zealand exports and imports at around \$700 million. His estimate is \$1.2 billion for

the year ending June 30 1980, which means that freight costs have soared by over 71 per cent in five years.

These estimates contrast with other lower estimates published in the *New Zealand Shipping Gazette* and the official Reserve Bank figure for total freight costs expended in overseas exchange.

Chudleigh argues that the total sea freight bill is larger than indicated by the foreign exchange drain because some freight charges payable in New Zealand dollars are ignored. Because published statistics are inadequate to assess all freight costs, Chudleigh calculates a figure based on average sea freight charges for major exports and a crude "rule of thumb" calculation that freight accounted for 10 per cent of the cif (cost plus insurance and freight) value of imports.

But if this estimate of total overseas freight costs seems rough, the assumption of who bears the burden of this huge shipping bill is more open to question. Chudleigh claims that our local exporters and importers bear most of the burden. This is contrary to the common belief that overseas customers of our exports pay for the cost of getting the goods to them, leaving us to bear only the freight charges on imports.

In the economist's jargon, Chudleigh is saying that when it comes to overseas trade, New Zealand is a price-taker, not a price-maker. In other words, we have little control over the prices of either the goods we sell or the goods we buy from overseas.

"The reason for this state of affairs lies in the kinds of produce New Zealand exports and imports as well as our dependence on specific imports and exports, he says. "In general, the responsiveness of overseas importers to changes in price of our exports is far higher than the responsiveness of our producers (in terms of production levels or alternative products) to changes in the prices they receive."

"With respect to imports we

are probably in a similar situation.

"On the other hand, the responsiveness of import suppliers to prices they can achieve here is quite high because they are not dependent on our market and can sell easily elsewhere."

So, since we have little flexibility in what we trade and where we trade, we have to be content with prices set in other markets.

A more comprehensive study of our trade may show that we are not price-takers for all goods. Certainly in some markets, it is the volume of our product only which is controlled and in some years prices may rise much faster than costs. Even so, any rough assessment of our freight bill must be based on the general assumption that we pay freight both ways.

This makes the high increase over the past decade particularly onerous. Chudleigh says "the high level of capital invested in cellular container ships has been a major cause. Another major cause has been the increasing cost of oil-based fuels."

But we have not seen such productivity gains in the sea transport industry, between here and Europe. Perhaps the new technologies adopted in the 1970s have been inappropriate or have been introduced inefficiently or it could be that the Conference Lines have not been passing on the savings due to the container revolution.

This means that local farmers have received lower farm-gate returns than they would had transport economies been achieved.

The Conference Lines maintain that they have provided a predictable and reliable service to local farmers, and have experienced a long association with the producer boards. No other shipping structure can provide such a high frequency of service as well as take advantage of economies of ship size.

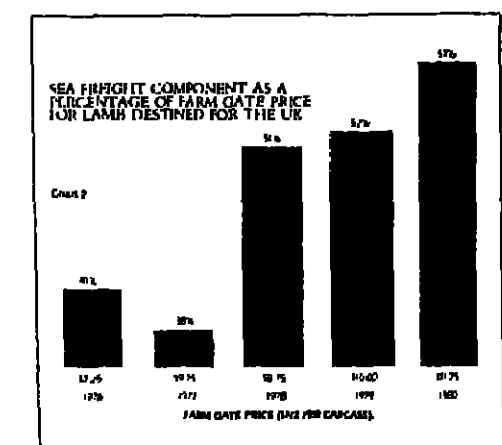
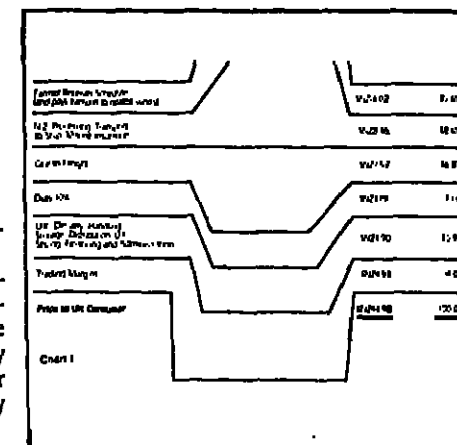
An alternative service could only compete with the Conference Lines if it handled the most favoured part of our trade, resulting in a rise in the price on the cargo which continued to be shipped by them. And the Conference Lines provide a planned and co-ordinated service, which is an essential ingredient to our marketing strategy.

But a closer look at these claims shows that other lines may offer a service as predictable as the Lines. The Conference Lines' economies of size are not large and the real measure of their effectiveness should be in lower freight costs, yet costs have risen.

Competition may be the way to force the Conference Lines to achieve and pass on cost savings. And the producer boards have the power to control shipping arrangements so that they are in our best interest, not just in the interest of the Conference Lines.

Chudleigh does not conclude that the Conference Lines are the major cause of freight costs rises. But he shows the need for further research about the effect of our choice of overseas shipping on costs.

He makes a good case which the Government could heed. We have the perfect set-up for



researching alternative shipping in the New Zealand Shipping Corporation. If this Government-sponsored agency does not know about shipping, then does anybody?

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Rowling shoots from the lip at development

OPPOSITION Leader Bill Rowling is becoming a master of "shooting from the lip" whenever there is a development in the commercial world.

His latest effort relates to the announcement that South British Insurance and New Zealand Insurance are holding merger discussions.

It follows his entry into the battle of words last year when the Challenge, Fletcher, Tasman merger was proposed, and statements on how the New Zealand woollen textile industry will make massive gains in exports under a Labour administration.

Bill, or whatever member of his research staff handles financial matters, said last week that a merged group would be bigger than any other in general insurance (incorrect on the latest official statistics), would have more than one-third of

New Zealand fire insurance (incorrect on the latest official statistics), and would also dominate the industry (incorrect, because the State operations are still bigger).

Bill, and/or researchers, claimed both companies were "particularly prominent" in the Australian general insurance market (incorrect, because the two companies account for less than 10 per cent of the total business, when their figures are combined).

Rowling made one correct statement when he said the insurance market was a complex one. Apparently too complex for the Opposition Leader's office to produce sensible comment.

Both insurance companies have made major efforts over the last 100 years to develop their business outside New Zealand. The result is that

South British, for example, received only 19 per cent of its premium income from New Zealand operations in the year to June 30 1980, compared with 53 per cent from Australia, 17 per cent from Africa, 6 per cent from Britain and the United States, and 5 per cent from the Asia and South East Asian areas.

Much has been made of the state of the Australian insurance market in comment on the merger discussions, but that may not be the whole story. There are other regions of the world where the large financial base of a merged group would be useful.

The general Pacific Basin region is said to be one of the world's few economic growth areas (see story on Page 14 regarding Jardine Matheson Insurance Brokers), particularly in Asia and South-east Asia.

Diversification into other forms of financial business could also be assisted with a merger of the two companies.

South British has made no secret of the fact that it is looking for diversification, to reduce reliance on profits (or lack of profit in the case of Australia) from underwriting income.

General manager David Bullock said that when he discussed the company's activities at a meeting in Wellington with members of broking firms and the press late last year.

There has been chat around the market that South British may have an eye on the Fletcher holding in Marac Finance, but the former company's financial structure would make half of Marac a large mouthful.

NZI is involved in the wider financial field through NZI Finance Corporation Ltd

(75.5 per cent owned) and that company's subsidiaries, NZI Finance Ltd, and NZI Securities Ltd, the last company being a member of the New Zealand Merchant Bankers Association.

The technical insurance aspects of any merger are discussed elsewhere in this issue, but it is clear that a larger group would be much stronger in financial terms.

While still smaller than the State organisation, and some overseas based insurance companies, the group would be one of the biggest companies listed on the New Zealand Stock Exchanges, ranking after Fletcher Challenge and NZ Forest Products, using the generally accepted criteria of size.

Such a group in the insurance and finance business would have the muscle to compete for business among the large-scale development projects planned for the 1980s, in a similar manner to Fletcher Challenge's desire to participate in that development as prime investors. The insurance

company would be able to service those projects from local sources, as opposed to the Fletcher Challenge philosophy of direct investment.

The Examiner of Commercial Practices, and/or the Commerce Commission, will decide whether a merger would affect competition, but, while not trying to usurp the authority of those worthy functionaries, it is difficult to see how there would be insufficient competition, (unless, of course, one is wanting to shoot from the lip).

It is often overlooked that the biggest concentration of financial power in the country is in the hands of the State, with the Bank of New Zealand, Life and general insurance offices, the Post Office, the Development Finance Corporation, the Rural Bank, the Public Trust and the Housing Corporation. Perhaps, there is nothing wrong with that, depending on one's philosophy, but the counter philosophy sees nothing wrong with private sector size, which it regards as no crime in itself.

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Stable punters baulk at

LAST week this column suggested that a list of 30 companies could be worth a punt in 1981 either for recovery, a reasonable percentage gain on a price change of a few cents, or as possibilities for a takeover offer from other companies.

Each company was priced at less than \$1.

Inevitably, the inclusion of some companies raised some eyebrows. That is hardly surprising, because the world of professional investment analysis has long been known for its strange attitude to companies which are outside the "stable" of the particular firm making the analysis.

Sharebroking firms are probably the worst offenders, because loyalty to the firm and its views at any given time can outweigh the acceptance of quality work done in other firms.

Sharebrokers dominate the equity investment market in spite of the fact that institutional investors are the largest buyers and sellers of scrip, and usually employ well trained investment people.

The problem is that the institutions' work is for internal consumption only, although the particular individuals may discuss the merits of a given

company with other people in the "industry".

But brokers make the visible recommendations of shares. The work of their analysts and research departments varies, as does any exercise which is based on a combination of "scientific" analysis, intuition and (sometimes) inside knowledge.

The market is small and there are only a few broking firms which can support a research operation. Everyone knows everyone else, to a greater extent than in other countries.

The brokers may either be unaware, or be prepared to deny vigorously, the suggestion that many small investors in the equity market distrust their recommendations, unless the analyses are detailed and the reasons for the particular investment argument spelled out in clear terms.

To some extent this is warranted, because the analysts approach their task from the viewpoint of basic research which builds up the argument from detailed facts, plus reasonable assumptions. But the public reads the comments knowing that if they approach the firm to buy the recommended stock, there is a 2 per cent in it for the firm.

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Analysing annual accounts: Leyland Investments

LEYLAND Investments Ltd is the only listed company specialising in equity investment. Its annual report is brief, but there is no intrinsic fault in that approach to financial reporting.

The directors of an equity investment company can have little to say about their business, if the figures are clearly stated, and the portfolio's value and annual changes are listed in the report.

Leyland had capital of \$400,000 in 50 cents units at September 30 1980 (since increased by a one for four cash issue at a premium of 30 cents), reserves of \$530,837, and current liabilities of \$47,518, being a dividend provision of \$40,000 and sundry creditors worth \$7518.

The asset side of the balance sheet is equally simple. Current assets totalled \$12,686, of which a mere \$200 related to sundry debtors, with the balance being cash at bank.

The portfolio of shares and debentures was the big item. The portfolio was worth \$965,669, based on cost price or

valuation. The market value at September 30 was \$1,492,663, so there was a healthy margin of 55.6 per cent between book value and market price.

The rapid rise in the share-market since October would further increase the market value, assuming that the company has not altered its fundamental structure since last balance date.

The portfolio contained 42 separate holdings (including ordinary and specified preference shares and debenture stock in the case of three companies) so it is not surprising to see the market value after allowance for dividend move up in line with the major indices during the year.

Portfolio market value increased 23 per cent between 1979 and 1980 balance dates. The New Zealand United Corporation index of leading stocks went from 364.05 to 455.32 in the same period, an improvement of 25 per cent.

The company did some trading in 1979-80, buying shares in 12 companies, some of which were added to existing

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

holdings in the same companies, and selling 15 parcels. The profit from sale of investments totalled \$53,272, compared with total income from company dividends, distributions from share premium reserves and interest of \$101,174.

Expenses amounted to \$15,101. Taxation took \$902, leaving net profit after tax of \$85,171, before accounting for the profit on sale of investments.

All very clear and straightforward, except for one point.

The global improvement in an equity investment portfolio over a year is an interesting and important point for the shareholders.

They can compare their

company's performance with the total movement in the market with other portfolios operated on a similar basis (the insurance companies, for example, although the institutions have other activities as well as equity investment).

But a global improvement can hide a few blue ducks. While the portfolio's total margin between book value and market price was 55.6 per cent, there is no information on the book values of the individual holdings.

That would be interesting, although possibly embarrassing in a few cases, because it would highlight the poor performers, assuming they exist in a portfolio under the control of Auckland accounting, business

and investment gurus.

Unless the average purchase price of the holding is available, it is impossible to work out how each company contributes to the total margin over book value.

The holding in Golden Bay Cement is an example. Leyland had 10,000 Golden Bay at September 30, with a market value of 50 cents each.

At the beginning of calendar 1980 Golden Bay was selling at 52 cents. Therefore, it might be argued that Leyland is doing badly from its holding in the cement company.

Such an argument could be superficial. The average cost of the Golden Bay shares could be well below 50 cents (or conversely much higher than 50 cents), and the income contribution from the yield on the investment's book value could be out of proportion to its apparent market value.

Similar comments could apply in reverse to some of the apparent well performed companies in the portfolio.

The directors know the answers, but the information is unavailable in the report.

The portfolio is standard for a company with a wide range of investments, and is heavily loaded with the heavyweights, and some of the better performed second-liners. There are a couple of curious omissions, which might reflect the investment thinking of the board.

There are no Brierley Investments shares, although several large institutions have been prepared to take up sizeable investments in that company, and CBA Finance (former Transvision) is absent. Both companies have been among the fastest groups on the New Zealand exchange in terms of capital appreciation.

shares in the yard

Occasionally among analysts there is unanimity about some research work. For example, one research man with a broking firm has never (at least in the presence of this writer) received anything but admiration for his analyses, which would hold their own anywhere in the world.

Coming back to last week's list of possible "punt" opportunities, we will look at some of them in the next few weeks.

The list was presented in alphabetical order, so it is appropriate to start with Alliance Textiles.

Alliance sold last week at 81 cents, compared with a mid-December figure of 73 cents. That is a rise of about 11 per cent in five trading weeks, excluding the holiday shutdown.

The dividend yield at 81 cents is still 8.75 per cent, and last year's payment (covered 1.8 times) was paid from tax free reserves. Given a marginal tax rate of 60 cents in the dollar, an investor needs a fixed interest return of 21.8 per cent to obtain the equivalent yield.

While the woollen textile industry has been in difficulty, the subject of a crash (Mogiel) and the IDC report, Alliance set about its own internal restructuring without the aid of voluminous reports from outsiders.

The acquisition of Mogiel assets, and the new capital structure will change the profitability pattern in the

current term, but the next result from Alliance should show that some parts of Mogiel were bought on good terms.

The key will be the amounts received on realisation of Mogiel's stocks in relation to the cost to Alliance. It seems that the company did well in the area, although the overall integration of Mogiel's operations will take longer to show up in the books.


People will no doubt argue whether the woollen textile industry has a future, and whether Alliance is the right company to invest in, assuming there is a future.

But the market's criterion for investment is the profit to the investor. In a short period the investor has received, before brokerage a capital gain of 11 per cent, if the shares were bought at the December price, and 6.6 per cent, again before brokerage, between January 20 and 27.

If the company continues to improve profitability in the current term, another small cents gain from 81 cents will give a good percentage increase, and the dividend yield is also attractive. If we are talking of "punting", rather than long term investment over five years, then the basic data gives the company merit.

The writer neither owns nor has a beneficial interest in Alliance Textiles.

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Government administration

Electricity profits propping civic projects

Energy Reporter

IN the wake of the Christchurch City Council's refusal to pay the Government's 9 per cent bulk electricity price increase, fingers are being pointed at the appropriations of the city's electricity surpluses for civic projects.

In the last two years, electricity consumers have contributed more than \$2,600,000 in transferred surpluses to the council's general fund — 3.49 per cent of electricity profits for the period.

A closer examination of electricity's contribution to the civic initiatives shows:

Year to March 31	transfer \$	per cent transfer to revenue from electricity sales
1976	479,014	2.84
1977	575,510	2.41
1978	578,541	1.75
1979	1,828,000	5.31
1980	790,865	1.87

The council's appropriations are central to the Government's rejection last week of a "special-case" status for the city's electricity charges.

The special-case argument results from the long-held belief that Christchurch's climate and smog conditions are sufficient reason for lower bulk tariffs, and last week's move to with-hold the payment of this year's increase came amid calls for negotiation from the Labour-dominated council.

But Energy Minister Bill Birch said he "will not be blackmailed" and warned the

council about its role in future electricity distribution.

Research into the domestic tariff structure for the four main centres shows Christchurch is second only to Auckland in its power charges. The average monthly cost to Christchurch consumers (\$24.16) is topped only by Dunedin consumers (\$26.75), who pay less per KWh but use significantly more electricity.

If Christchurch has a "special case", a similar plea could be made for Dunedin and many of the other 60 supply authorities.

The intransigence of the Christchurch mavericks, and the whip-cracking from Birch, underline management problems which have beset the industry for years.

The hotch-potch of energy distribution agencies are still competing with each other

	Average consumption	Cost per KWh	Cost for year	Cost per month
Christchurch	8,472 KWh	3.423c	\$290	\$24.16
Auckland	8,767 KWh	3.59c	\$261	\$21.77
Wellington	7,702 KWh	3.11c	\$240	\$20.00
Dunedin	9,540 KWh	3.05c	\$321	\$26.75

DOMESTIC figures have been quoted because commercial and industrial tariffs vary widely.

(electricity and gas, for example).

Sophisticated metropolitan supply authorities rub shoulders with the poorer rural ones, each suffering their own mix of climate, topography, population and market constraints. A consumer can find that a change of address across a street means paying significantly more or less for electricity.

The Christchurch council's row with the Government may be little more than "power politics", but it's easy to see

how it underpins a need, at most, for the formation of regional or territorial energy authorities, and at least for supply authorities and the Government to work much more closely with each other through the Electrical Supply Authorities Association.

From Page 1.

Some 17,000 tonnes of lamb were already landed in Britain and there was every possibility that further cargoes could be discharged, he said.

Norman said he thought stocks in Britain were "pretty comfy" at the moment. Normally five to six weeks of stock or around 18,000 tonnes were held.

Norman said the strike would have no great implications for the killing rate. Rather, "we have an interruption in the flow" of meat to the British market at a time when prices are rising.

Industry sources agreed it was a marketing problem, and one which was causing cash-flow problems for exporters.

Norman said the freezing works had plenty of capacity for storage.

Another source said the industry could store some 40 per cent of our annual meat production, or 300,000 tonnes.

Matters were not at crisis point, he said, but some plants with less storage capacity could run into problems.

The processing industry is still taking meat from the

farmer, although there is a great pressure to kill in the North Island.

Stocks are quickly built up in coolstores around the country, and container animals at Wellington and Auckland are filling up.

The Meat Exporters' Council met with the Meat Board's weeks ago to discuss the situation.

As the strike continued, the sign of a quick settlement, formulation of emergency plans became more urgent, Norman said.

To take the obvious route, using an alternate service with non-British crew could exacerbate what is a politically sensitive situation, NBR sources said.

Any interruption to the marketing programme — a sensitive operation at the best of times — could have serious flow-on effects throughout the industry.

Even a short strike would disturb the even flow of product on to the British market, because the bulk of the 200,000 tonnes of meat sent to Europe is carried by ship with British seamen.

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Packing industry

Packing probe could bring pricing changes

by Allan Parker

MAJOR disruptions to national product distribution and pricing practices are likely effects of the recommendations embodied in the Industries Development Commission packing industry probe.

The changes would also remove implied standover pricing tactics adopted by suppliers operating in a protected environment.

Among the effects:

- A possible, end to marginal costing for export;

- Different costs of packaging materials for different customers;

- Removal of a new trend toward increasing domestic prices above export prices by the equivalent of the export promotion incentive;

- A major adjustment of the common national delivered pricing policy.

The commission estimates that the packing industry uses up to \$400 million worth of packaging materials each year — a significant production for the domestic industries based on paper and paperboard, plastics, glass, tinplate and other steel.

It argues that the whole industry "should be encouraged to develop a capacity to satisfy the requirements of the agricultural and manufacturing sectors of the economy for packaging of design and quality comparable with international standards, at prices within manageable distance of world prices."

But while finding the local packing industry worthy of support, the commission also says that domestic packers must have access to materials at prices that ensure international competitiveness.

Most sectors of New Zealand agricultural processing and manufacturing industries would be affected if the IDC recommendations are adopted by the Government.

The flow-on effects are identified in the commission's report on the packing industry, released just before Christmas for industry perusal and comment.

The report makes specific proposals for packers and for products affected by packing, such as rice, split peas, tea, aerated beverages and fish.

It also recognises the impact such moves would have on the broad national front.

The IDC has recommended a cost-containment formula by which local packaging materials are to be compared with the in-store duty-paid cost of imported packaging.

The formula would give a 20 per cent protection to local packing suppliers. But above that, local industries would be able to import their packing requirements.

The cost of packaging is a critical component for all industries. And many of the submissions made to the IDC bearing complained about the high price of packing supplies from local companies.

AHI particularly came in for criticism of its prices and was named specifically in the commission's report.

But AHI countered that, among the reasons for the high pricing, was the cost of raw materials from its New Zealand suppliers. The company named

soft paper and aluminium sheet (30 per cent more expensive than Australian

aluminium sheet) as high-cost factors.

Because most of the cost differential between packing the bulk products in New Zealand or importing pre-packed merchandise lies in the physical packing function, the commission has related its pricing formula back to packaging raw material suppliers rather than just suppliers of ready-to-use packing like carton, bottle and plastic container manufacturers.

Packaging raw material suppliers, who were uncertain about the effects of the packing study on their own industry, may be severely disadvantaged by the commission proposals, which would have a domino effect on other industries.

The commission notes that one effect could be problems of equity and administration.

"The application of cost containment policies to users and producers of packaging materials arising from requests for differential treatment, or from other industry studies, might result in inequity if one industry is accorded lower prices for packaging materials (which it could buy cheaper overseas at existing prices), while the supplier of those raw materials is able to recover the lost revenue by increasing the price charged another user industry," the report says.

"Administrative difficulty might similarly be encountered in restricting the lower-priced packaging materials to uses identified in the study leading to that access."

Thus, a packing materials supplier may have to discount his price to a customer who can get cheaper imported materials for his particular product. To offset this discount, the New Zealand supplier could then charge another customer the difference.

The commission has identified three other important effects.

- It believes adoption of its development plan (particularly the cost containment provision) would see the emergence of commercial pressures which could erode the practice of marginal costing for export.

Many companies now pare export costs to the bone in an effort to secure overseas orders. The practice has been urged by export marketing specialists.

But to recover these costs, the domestic price has been higher.

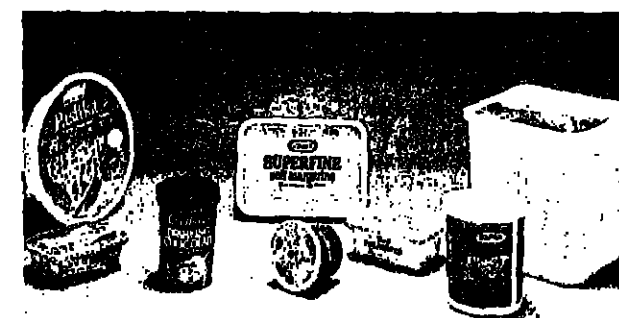
Introduction of imported competition would force exporters to review this pricing policy. The impact on exports is difficult to assess.

- The commission is concerned at an emerging trend towards increasing domestic prices above export prices by the equivalent of the export promotion incentive, in cases where the product concerned could readily be exported and thus qualify for this tax incentive.

Domestic customers have been forced to pay the higher prices to ensure supplies for their product. The extra cost has then been passed on to the consumer.

Again, allowance for imported competition above the 20 per cent protection level could do much to reduce or eliminate this practice.

- The third major flow-on effect — and the one with, perhaps, the greatest national significance — if the IDC measures are implemented by



Local packing... IDC recommends cost containment formula

Government is in the common national delivered pricing policy, which is supported by Government.

Delivery of goods is based on a common national price. Thus, an Auckland supplier will charge the same amount for

delivery to an Auckland or a Dunedin customer.

But if the Auckland customer can import his packing requirements cheaper than the New Zealand-delivered materials, severe distortions will emerge. And with nine ports

throughout the country, the practice of a common national pricing policy will come under threat.

As the IDC notes in its report: "While these three latter issues have relevance in the packaging context, they have a much broader application across the whole spectrum of New Zealand industry."

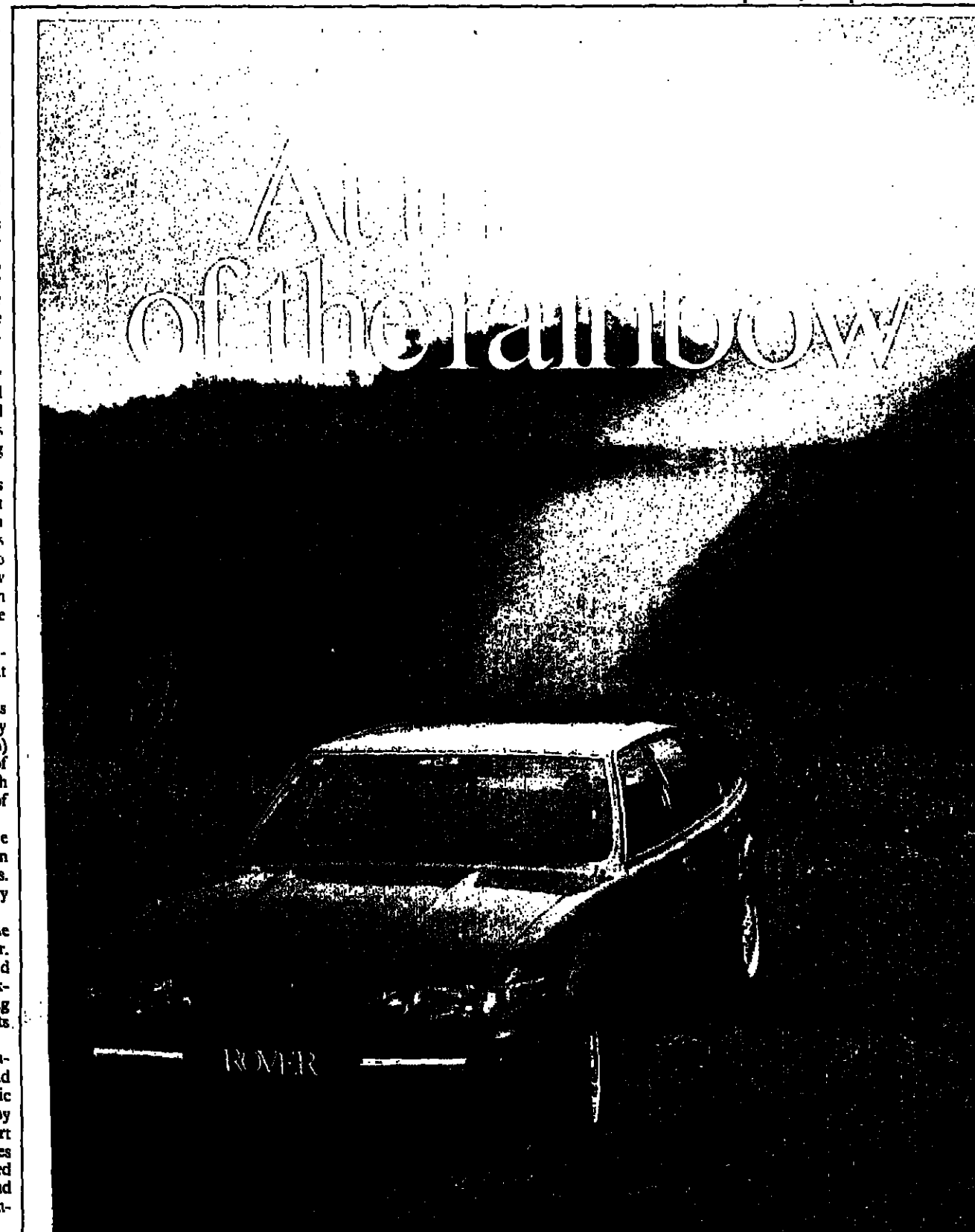
The suggested introduction of measures to eliminate the national pricing policy is the first to emerge from the series of IDC studies. It is unlikely to be the last.

The packing industry report, if adopted by Government, would also have a serious impact on major raw material suppliers such as New Zealand Forest Products and Alcan NZ

Ltd. Before and during the study, those suppliers were uncertain about the effect the study would have on their industry. Now, they are likely to press for an urgent study into their own industry to prepare a development plan that would reduce the impact of this latest report.

The IDC is likely to view such a request sympathetically. The initial government terms of reference for the packing industry study made no mention of the packaging materials manufacturers and the commission found itself in a cleft stick over treatment of that industry.

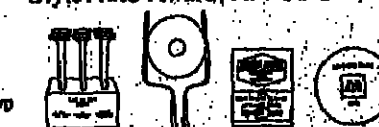
Ultimately, the commission found that "the development plan of the user industry (the packers) must prevail".



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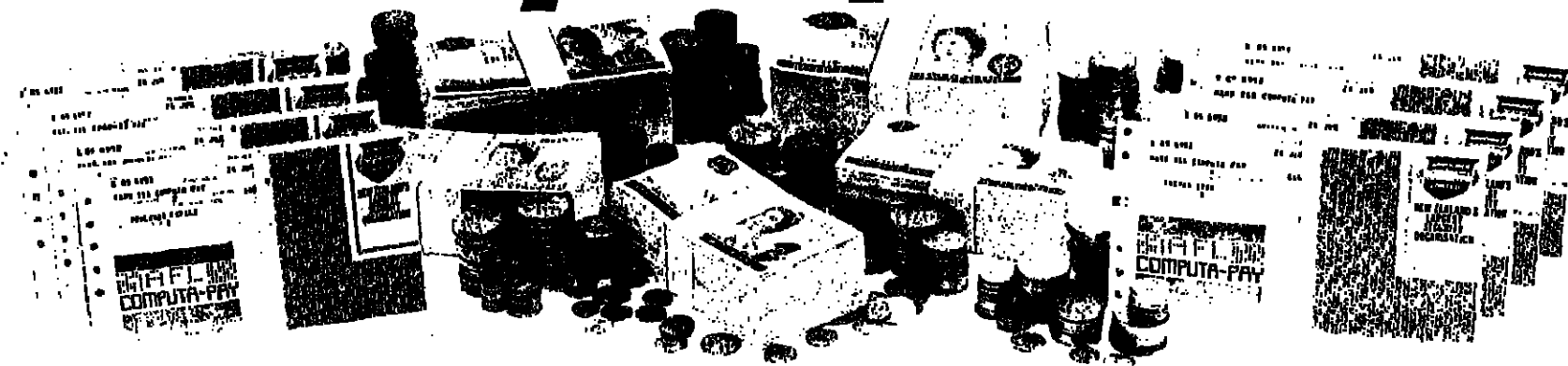
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Science and technology

Cheap hot water flowing from Otago venture

ELECTRIC hot water cylinders eat energy about 40 per cent of that fast-climbing power bill in fact. So, a system that cuts water heating bills by 60 per cent has got to have a promising future.

The University of Otago and Zone Pak, an Auckland-based merger between Fletcher Mechanical and Fisher and Paykel Engineering, are involved in a joint venture to test such a unit.

The unit, basically an air-to-water heat pump which delivers hot water at 65 degrees centigrade, used 50 to 60 per cent less electricity than a conventional hot water heating unit.

The heat-pump water heater is the brainchild of Dr Gerry Carrington and associate professor Wes Sandle, of Otago University's physics department.

Using heat-pumps (common in air conditioning and home-heating installations) to heat water is an obvious idea, but the development of a reliable unit to deliver water hot enough for domestic purposes, quickly, has challenged researchers, and consumed enormous amounts in funds, in many countries.

The Otago physicists have produced technology which is as advanced as anything similar in the western world, and, on the basis of trials so far, it appears better than most.

It has taken more than four years of applied research on a budget of less than \$100,000 (funded by the Energy Research Development Committee) to develop the heat-pump water-heater unit. This compares with \$2 million in "extra funds" allocated by the Department of Energy in Britain for similar research and many millions of dollars invested in a similar project by the United States Department of Energy.

The arrangement of the technology involved in the unit is the subject of commercial confidentiality, and is tied up in patents taken out by the University of Otago, Carrington and Sandle.

After the first prototype was developed, the Business Development Centre at the University of Otago entered the project.

A consultant of the BDC, Bradley Rush, who specialises in the commercialisation of applied research, investigated the market and successfully tied up a deal with Zone Pak.

Last year the university team and Zone Pak collaborated on further development and several design modifications were made, largely by Alan Sloner, an engineer from the Auckland University School of Engineering, who was seconded to the project.

Development manager at Zone Pak, Ken Pirie, added production capability parameters which were incorporated in the basic model. Ten copies were then made.

Nine of the units have been installed on a trial basis, five in Dunedin and four in Auckland. The performance is being extensively monitored, with 20 measurements every two minutes recorded, on tape, for three of the units.

The tenth unit is undergoing vigorous simulated conditions. If the results of these tests are satisfactory, 50 will be test marketed Jim Hawke, general manager of Zone Pak, said.

The target is to get the unit, designed to adapt easily to existing water cylinders, on the market at \$600. The units can now be produced at \$800.

The main questions are: Where does the market lie? How big is it and how appealing is the idea to consumers?

The sophistication and competitive nature of the technology opens up the real possibility of adapting the units to export markets. But Hawke says this market segment will not be tapped until a full years successful marketing locally.

The domestic market includes 1.05 million homes where conventional water heaters are used, and a large commercial market.

There are a number of marketing problems to overcome. One generally identified problem is a natural consumer-resistance to new technology, not proven in terms of long-term reliability.

The concept involved is the same as a refrigerator, which uses a heat-pump to take warm air from inside the fridge to lower the temperature.

The heat-pump, water-heater takes warm air from outside and puts it inside the



Heat-pump water-heater... same concept as refrigerator

water cylinder. The marketing comparison should convince consumers the tried and proven reliability of refrigerators has a carry over to the water heaters. It should also allow the manufacturers to back the units with a confident warranty.

The initial capital outlay of \$600 may prove a marketing hurdle, although this factor could be balanced by a company financing system (to which Fletcher Challenge has obvious access) or interest free Government loans that apply on other household energy-saving developments.

In terms of the national benefit, the 60 per cent saving on electricity amounts to 12 per cent of New Zealand's total yearly electricity consumption. In present interest terms — one aluminium smelting potline every five years. The attractiveness to the Government in savings is obvious.

But the main selling point that will have to become established in the public mind, if the marketing strategy is to be successful, is the savings the householder can achieve.

The average all-electric house uses 10,323 kWh of electricity a year, of which 44 per cent, or 4542 kWh, goes in

hot water heating.

Electricity prices vary from region to region, but taking an average off-peak price the ordinary family would save \$90 a year. On this basis the system is paid for in 6.5 years and the \$765 (assuming no intervening electricity price increases) saved over the remaining 8.5 years of the anticipated economic life of the unit is profit over a conventional system, not accounting for maintenance costs.

The savings are modest and the pay-back time hardly exciting. But an important factor not taken into account is electricity increases. The attractiveness of the system improves markedly with increased power bill, either in power charge increases or through greater than average use of hot water.

For example, a family using 6000 kWh of electricity a year for hot water heating (and 155,000 families use that amount or more) reduces the pay-back to five years on today's electricity prices, or three years taking typical recent price increases into account.

On today's prices, house-

holders using an average of 7400 kWh a year (and there are at least 100,000 families using that amount) form a ready market with a pay-back time of 3.7 years.

Devisers of the marketing strategy will be aware that price increases for electricity will bring the system to a stage soon when even the ordinary family can pay for the unit from savings made in three years.

There is little doubt that a potential market exists.

A 1975 study by Dr Peter Phillips of Massey University shows consumers would be less likely to cut down on hot water usage than any other electricity-using appliance.

Given a list of six areas to reduce energy use, respondents showed they were most prepared to cut down on use for television, radio and stereo, with electric blankets second, appliances third, lighting fourth and home heating fifth.

Respondents indicated they would be most reluctant to cut down on high-consuming uses, with hot water sixth. With such a high priority on hot water, the market for a unit cutting bills by 50 to 60 per cent with no consequent loss in efficiency or convenience is clearly an attractive proposition.

Meanwhile, if trials prove successful, Zone Pak may establish the principle and reliability of this form of water heating by attacking the huge potential commercial market which includes the dairy, meat industries and commercial establishments reliant on hot water.

Otago University also has a stake in seeing the project succeed.

Any profits from the project will not go to the innovators but will be ploughed back into the university coffers and tagged for further applied research. This would be a welcome addition in times of education vote cuts and a return, at least in small part, to the self-sufficiency that the Scottish University proudly sustained during its early years.

Food production

US analyst sees decade of world food shortages

THE 1980s will be a decade of world food shortages and rising food prices, according to American agriculture expert John Schnitker.

As a consequence, he said, American policymakers should examine whether the United States could maintain a policy of unlimited agricultural exports as it had in the past.

Schnitker said slow expansion in world agricultural production capacity — combined with higher demand for livestock products and grains and higher income would lead to food shortages and real increases in food prices.

While the last three growing seasons had produced the largest domestic grain crop — is a harbinger of impending shortages in the United States, he said.

Schnitker expects corn stocks on September 30 1981 to decline by about 25.4 million tonnes from a year earlier. This, he said, means that all reserve corn will be used, "ensuring that US prices remain relatively strong if exports are as large as indicated (66.04 million tonnes)."

Unless record yields were achieved this year, he said, corn stocks could fall to minimum levels and cause United States exports to fall.

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Even if the United States

were to achieve a corn yield of 6.28 tonnes a hectare — which would be the third highest ever — exports at that level would decline by some 2.54 million tonnes, Schnitker said.

He expects American food prices to rise by nearly 12 per cent between December 1980 and December 1981, with increases of 15 to 18 per cent coming during the first half of next year.

"If, however, United States or world grain and oilseed crops in 1981 are no better than in 1980, the rate of increase in food prices could be considerably higher than now projected," he said.

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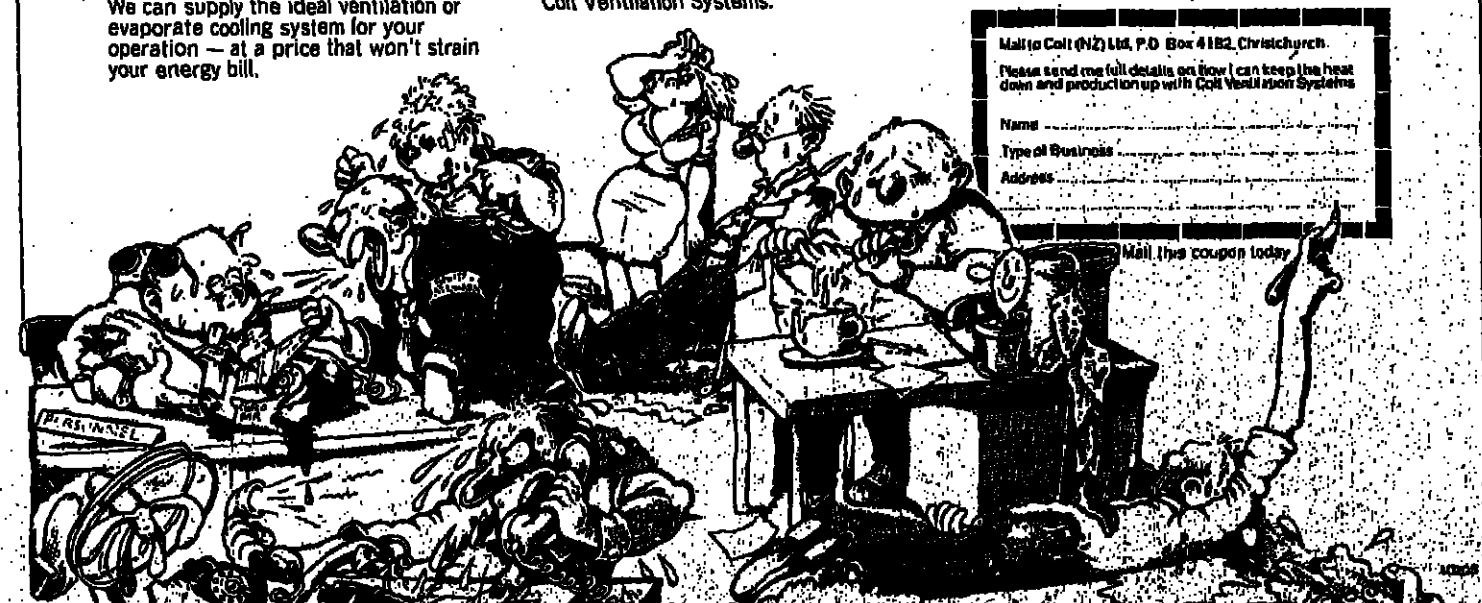
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The arts

Fun in the oven: how to bake tasteful erotica

by Ian Hargreaves
Financial Times

SOME things, New Yorkers often say, can only happen in New York. One of them, perhaps, is the Erotic Baker.

The Erotic Baker is not an individual, but a company. It started three years ago with a small shop on Manhattan's West 83rd Street, just near Central Park and the Natural History Museum.

"The reason for picking that street was that it's a good shopping street and that we live around the corner," says Karen Dwyer, who at the time was a 30-year-old actress just completing a stint in *Kiss Me Kate* at a dinner-theatre in Virginia. "We wanted a small business we could run without having to travel to work."

The concept had its origin at a party, when Dwyer and her friend, Patrika Brown, 10

years older and a theatre lighting designer, were talking about their mutual interest in erotic art.

It really did begin as a party joke when someone said: "Wouldn't it be funny if you could eat that sort of thing?"

So when, a few days later, Patrika disappeared with another show, Dwyer picked up the phone and started talking to bakers. A few were shocked at her suggestion that instead of making cakes like motor cars or sailing ships, as well as just plain old round ones, they start to make more human shapes.

Karen Dwyer, meanwhile, went off on courses about baking and cake decoration. And, with her portfolio of cake designs, a nice smile and all the charm at her command, she went to see some bankers.

"Their faces were wonderful to behold," she says. But their

credit lines were not available. Ultimately, Paine Webber, the large Wall Street investment house, said they could raise a floating rate loan of \$20,000 against the collateral of Patrika's shares.

"We were underfinanced then and we are still trying to get out from under that today," Dwyer says. They could not, for example, afford to buy ovens, so they had to rent oven space at scattered bakeries.

The first day was a sell-out. Three exhausting years later, Karen Dwyer is standing inside the front door of the Erotic Baker's third shop, which has been opened in another smart neighbourhood, this time on the middle-East side of Manhattan. Shop number two is in Greenwich Village. Together they are grossing between \$7000 and \$10,000 a week.

The clientele is as varied as

the city itself. "Women are definitely in the majority," Dwyer says, somewhat surprisingly as the strongest-selling item is cakes which look like their breasts. "They buy them for their boyfriends and husbands."

There is no evidence of particular socio-economic patterns in the steady stream of people flowing through the tiny shop between 2 and 3 pm, on a sunny recent afternoon.

They range from a black man in his early 30s wearing a shabby, navy-issue overcoat to the be-furred New York hostess placing a major order for what is obviously going to be a very large and very giggly party.

Of the two, the first is by far the more bashful, but seems pleased with the chocolate-covered buttocks he settled for, specially after the impressively polite and helpful counter as-

sistant offers to inscribe them with "bottoms up". Another assistant completes design specifications with a customer. "You do want Caucasian, I presume?"

Prices range from 75c for a single, tiny marzipan breast, which actually looks more like the sharpened end of a child's crayon, to specials like the \$1000, 16-foot "Yellow Brick Road" cake that the Erotic Baker made for a Stephanie Mills party after the actress had starred in "The Wiz" on Broadway. Non-erotic themes now account for a quarter of business.

The most spectacular cake ever, according to Karen Dwyer, was made for a player in the New York Knicks basketball team, showing the entire team enjoying an orgy on a basketball court. "That was a very difficult job," she says. The cost for a basic, 30-slice party cake to the design of your choice is \$55.

For the founders and the owners of the Erotic Baker the challenge is to bring in more money than they spend, something, Dwyer concedes,

has never been achieved on a sustained basis.

Like any other American business, the Erotic Baker has also been hit hard by inflation in costs which the retailers felt it impossible to pass completely to the customer.

"Then there is product innovation," she says. "Well, starting soon, probably a cheesecake and certainly a cream cake."

If she could find partners, backers of the right kind, she has had many approaches. She is expanding to the West Coast, Washington ("that big party town"), and Chicago. But, in the mean time, she is working hard at her order business, using sales she has met at various parties. As for international business, she is convinced that delicacies would appeal. The Erotic Baker has outlets in London, through shop called Parrot, on the Ham Road. That connection, she has been several times, has been severed. The British Customs, it is impounded the company's export shipment.

Getting to the bottom of a photocopier's potential

by Warren Berryman

WHAT would you do if you caught your secretary sitting bare-bottomed on the office photocopier machine hitting the print button? Sack her as an American executive did recently?

You might be better advised to establish what she is up to.

She might be a budding artist putting her behind into the avant-garde of office art.

Here is called Kolorplaten. In the United States it is called Electroworks.

In either case it is instant art, done on a Xerox 6500 colour copier.

Xerox art hit the big time last year with an exhibition of 250 pieces by 80 artists at New York's Cooper-Hewitt museum, part of the Smithsonian Institute.

In most cases Xerox art is as simple as printing off an office memo. Replace the memo with a few hairpins, paperclips, a couple of leaves or flowers, arrange artistically, push the button, said hey presto! Instant art.

The New York exhibition had colour Xeroxes of dead swans, bugs and beasts, and odds and sods of human anatomy.

Xerox art might not be everyone's taste but the stuff sells — for up to \$250 a piece in New York.

Xerox Corporation sponsored the New York exhibition and did not neglect the Kiwi cousins down under.

Last year, Xerox gave eight photographers and printers, organised by Real Pictures Gallery, free use of its colour Xerox machine in Auckland.

The result: the Kolorplaten exhibition of 50 pieces.

The exhibits ranged from an eight-foot-square collage of Xeroxes of couch grass to zappis

of pins, matchboxes, a cuff, clippings, collages, other weird and wonderful pieces.

Some Xerox artists, Auckland's Kolorplaten exhibition sold their work for \$75.

Real Pictures will tour country with the exhibit this year.

With colour Xeroxes for more than \$20,000 in the United States the new art requires a bit more capital investment than the traditional box of paints and brushes unless you see the office machine when the boss is looking, risking a sack if caught like the artist caught posing posteriors on platin.

Xerox put 1500 of its colour machines on the market, 10 of which were sold to New Zealand.

Xerox has not sold many machines here. They are in Xerox copy centres. Single copies cost \$2.20, of 100 or more are priced at \$1.28 each.

Xerox made a complaint to the Reserve Bank and Police to supervise all copying to ensure that such as bank notes and certificates do not find their way onto the machines.

According to Xerox's Klarwill, the major users of the machine are architects and engineers who want to present a colour report, a quick colour sales catalogue, or promotional material.

Xerox art may be a bit of a fad. Box with ratings of pushing (film), Xerox copy, camera, and stuff.

The Australians

Rising Australian dollar value hits exporters

Melbourne Correspondent

AUSTRALIA'S Commonwealth Banking Corporation warns that the recent sharp

downturn in the international competitiveness of the Australian dollar will adversely affect the country's export of manufactured goods. At the

Government pushes local purchasing policy

THE Australian Government has introduced legislation designed to enforce its policy of preference for local goods. Its prime aim is to provide for Commonwealth authorities to comply with the "buy Australian" policy by overriding certain provisions of legislation governing some statutory authorities.

Purchases by Commonwealth authorities, estimated at \$A3300 million a year, are more than double the purchases of Commonwealth departments.

The legislation specifies the formula under which competing tenders are evaluated.

The formula provides that a preference margin of 20 per cent of the value of the Australian content of each tender

be allowed, the resultant figure being deducted from each tender price. The lowest suitable tender is then accepted, except that all purchases costing \$A50,000 or more where the highest Australian-content suitable tender is proposed to be passed over, must be referred to the responsible Minister for decision.

As a further step in the process of making purchasing policies better known publicly, the legislation provides for the disclosure to interested persons of the level of Australian content of successful tenderers. At present only the name of successful tenderer and the total tender price is published.

The new provision will enable unsuccessful tenderers to challenge any claims they consider doubtful.

beginning of 1980, the country's export-oriented and import-competing manufacturing industries were generally in their most competitive position internationally for more than a decade, the corporation says. This followed a gradual, but cumulatively significant devaluation of the dollar on foreign exchange markets through 1978 and 1979.

But from the end of June to early November 1980, the Australian dollar recorded gains against all the major currencies with the exception of the Japanese yen and the pound sterling.

The National Bank reports that the movement of the Australian dollar was especially strong against the West German mark and other currencies of the European Monetary System, particularly the Italian lira.

The bank believes the strong performance of the Australian dollar reflects several factors:

• The nation's trading position strengthened markedly during 1979-80 when the surplus of the balance of trade widened from \$A0.6 billion to \$A2.8 billion. Although trading results have since deteriorated, this has been more than offset by the improvement in the capital account;

• Australia's rate of inflation continues to be lower than many of the leading industrial countries and below the average for the Organisation for Economic Co-operation and Development (OECD);

• The international business community is showing keen interest in Australia as a source of imports and an outlet for investment capital.

• Australia enjoys a high degree of self-sufficiency in petroleum and other basic energy

resources. The mineral boom of the late 1960s and early 1970s led to similar upward revaluations of the Australian dollar, resulting in a significant decline in the competitive positions of Australian manufacturing industry internationally by 1973/74.

The Commonwealth Banking Corporation warns that the present appreciation of the Australian dollar could lead to the same result. In a recent report the corporation states: "For Australian export oriented or import competing industries the recent exchange rate appreciation represents a substantial adverse movement in their international competitive outlook overall."

"Given that in the Australian experience inflation is extremely difficult to reduce quickly and that the resources boom is gathering momentum, the outlook must be for the

competitiveness of Australian traders to be under further pressure in the short to medium term. This raises profound policy implications for the structure of Australian manufacturing industry in the 1980s."

The warning has been echoed by the Federal Opposition shadow minister for industry and commerce Chris Hurford. He said the continuing appreciation of the Australian dollar could lead only to further unemployment in the manufacturing industry.

The effects of this appreciation were already being felt by Australian exporters of manufactured goods, particularly motor vehicles, machinery, and textiles, he said.

Hurford claimed that in the first five months of the 1980/81 financial year there had been a dramatic decline in the export of manufactures.

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Secrecy

Act denies public the benefit of expert opinion

by Warren Berryman

THE Official Secrets Act — enacted to protect us from spies ensures that the public is denied hearing expert opinion from scientists and technicians when those opinions conflict with Government policy.

When Petrocorp was formed, after the then Energy Minister, Eric Holland, had brought oil exploration to a halt with his \$3-a-barrel levy, the Government was anxious to show it could find oil for itself.

Geologists were not happy with the drill sites chosen by the inexperienced team of Government appointees at Petrocorp. But DSIR geologists in the best position to know how taxpayer money was about to be wasted, were told to be silent.

DSIR scientists have also been threatened with prosecution under the Official Secrets Act for releasing information about the potato disease nematodes and about native forests.

After being sacked for releasing information, there are not many job opportunities open to a scientist in this country.

Consider Murray Ellis, a Ministry of Works employee and critic of the second aluminium smelter. The Commissioner of Works has told him to shut up because his remarks might be seen as political.

It's not that Ellis has been or is likely to release official information gained in the course of his official duties. Smelter analysis is not his job.

It's just that Ellis is one of that fifth of our working population employed by government. If he likes his job, he must remain silent.

As this country hocks itself heavily in overseas debt and plans to destroy salmon rivers and apricot orchards for the Clutha dam, the public are denied essential facts from the greatest repository of such information, Government-employed scientists.

One of the biggest users of America's Freedom of Information Act is big business.

Government departments hold huge repositories of technical research data, information on competitors, market research information and so on. All this data was collected at taxpayer expense. And big business, like any private citizen, has open access to it for the nominal price of photocopying.

Not so in this country. Suppose a small manufacturer was thinking of producing a range of bicycle headlamps and wanted to know the size of the bicycle market.

Government has the data. But Trade and Industry Minister Lance Adams-Schneider has refused to release it to Parliament, so presumably the small manufacturer would have to duplicate the work at his own expense.

More probably, he would buy the "confidential" information from a Trade and Industry officer with an expensive lunch.

Trade and Industry frequently refuses information on the grounds that it is confidential. For example, the department will not release the names of holders of import licences to the press.

An import licence is little more than a Government-granted licence to print money.

Any consumer item under licence is in demand. And import licence holders can charge enormous mark-ups.

And in some cases they just sell the use of their licences for 100 per cent of their value and never touch the goods.

Because an import licence is a lucrative Government handout to a select group at the consumer's expense, the public should have a right to know who is getting these government favours and why.

The rules for granting and denying import licences are also secret. One may suspect that an import licence was granted to repay a political

THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.

formation cannot be released except in the parliamentary debate on the estimates.

Lack of time precludes thorough debate of several important departments every year. And the repository of information gained by the committee remains secret.

This information, Waring mused, would make an interesting breach of privilege case if someone subsequently

formation that should remain secret in the interests of national security or individual privacy.

Instead, the matter was handed over to the ponderous deliberations of the bureaucratic-dominated Danks Committee which was to decide what information civil servants might make available to their public employers or their elected representatives.

Couch took time out from his Christmas break to rap a bureaucrat over the knuckles for releasing statistics on Maori unemployment.

Couch said he was annoyed, not embarrassed, that this information had been released. It seems his vacation was rudely interrupted by people asking questions following the untimely release.

Ministerial obsession with secrecy — which stems from a desire to stage-manage the news and to release only that

licensed renter of film and contents may not be disclosed to other persons or parties except with the approval of the authority.

Most of the information in this "confidential" list could have been compiled from the movie pages of our daily newspapers.

The Official Secrets Act, the claim that some information is confidential provides Government and senior bureaucrats with a convenient lever to manipulate the press. Journalists often find it "confidential" information becomes freely available to them if they agree to slant the story to favour the Government or a senior civil servant.

Three years ago I prepared an article on the licensing abuses within the Department of Trade and Industry and moves by officials to clean up the mess.

I spoke to department secretary Harry Clark, told me he might be willing to supply information I were more "co-operative" like... (he named two Wellington-based senior journalists known in the trade for their close political connections and sympathy to the National Party line.) I told Clark I'd rather get my information the hard way.

Government managers of the news will remain possible so long as freedom of information is not a right but a privilege to be doled out: "co-operative" newspaper hacks.

Official secrecy is a mockery of Parliament's debate. Backbench members must guess and speculate rather than debate facts from a point of knowledge.

Thus the non-elected bureaucrats hold the real power while elected MPs are mere puppets on their strings.

National MP Marilyn Waring, chairman of the Public Expenditure Committee, tentatively plays the role of watchdog on bureaucratic spending. But she complains she can't get information from the bureaucrats she is charged with scrutinising.

She told NBR she had requests for information served with 2½-inch-thick stacks of computerised data, took "just to obscure the

...

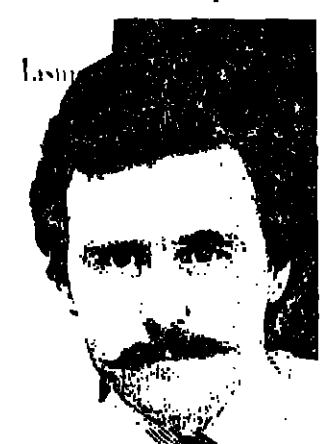
Information, as a bureaucrat or politician, you, is power. It is with that those holding power will relinquish it willingly. As Sir Guy Powles, in his booklet, *Information and the Freedom of Information Act*, neither a procedural luxury. It is essential to government, to democracy, a right, not a privilege. This right, like all rights, can never be granted, seized and defended.

Until then, Parliament and the public and the control of the executive is lost.

In our files is a list of New Zealand's licensed cinema exhibitors prepared by the Cinematographic Films Licensing Authority, the list is marked: "Confidential, this schedule is prepared for the benefit of

Merger moves in Masius

SINCE it was purchased by Masius in 1978, Malcom and Hansard has experienced a period of record growth. Masius has also made vigorous progress and amassed an impressive list of blue-chip clients.



Ray Noonan... managing director here

pointed New Zealand managing director and will join Fahy on the Australian board.

Peter Spencer has been appointed general manager, Wellington, replacing Denis Richmond who will return to Masius, Sydney, as a member of the board.

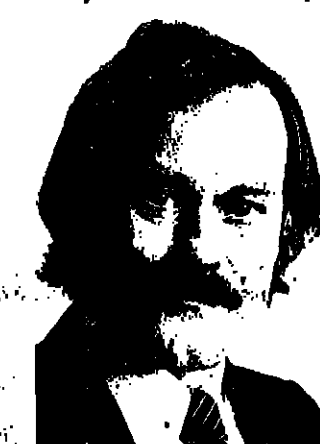
Along with this move have come some important personnel shifts.



Peter Spencer... general manager, Wellington

Len Reason of Melbourne, well known to senior New Zealand agency people, will relinquish the position of chairman of the group here while remaining on the board. He will be succeeded by Mike Fahy.

Ray Noonan has been ap-



Mike Fahy... local chairman

Broadbank



For Futures Trading

Admark

Injunction awarded

THE national agency Wood & Mitchell Advertising, after several months of evaluation and preparation, last year opened a branch in New Plymouth.

A few months later, while still employed by Wood & Mitchell, two employees, together with others, took steps to form a competitive advertising agency and mailed soliciting letters to Wood & Mitchell's clients.

In the High Court in December last, they were enjoined to cease soliciting the agency's clients pending the hearing of an action for damages being brought against

them. They were also enjoined for a period of six weeks, from approaching other organisations with whom Wood & Mitchell were negotiating, to allow the agency time to re-staff its New Plymouth operation.

"To the best of our knowledge," Felix Wood, W & M's managing director told Admark, "we have not lost a single account and the attitude of those clients approached has been one of concern and loyalty to this organisation."

Direct solicitations of agency clients have posed more ethical problems than any other aspect of the agency business. But the occasions when a legal response has followed are rare indeed and Wood & Mitchell's action may well prove to have some historical significance in the future.

Richmond who will return to Masius, Sydney, as a member of the board.

Rody Fryer is the new general manager in Auckland.

The company, in its new combined form, will trade as D'Arcy-MacManus and Masius New Zealand.

The media message

WITH its media bulletin, Goldberg Advertising does a fine job in passing on the media message to a fortunate list of recipients. In a printed rather than a cyclostyled version, it could well command a modest cover price.

The November issue updates the media news with six items in the radio section, five items in the television section and three under print media.

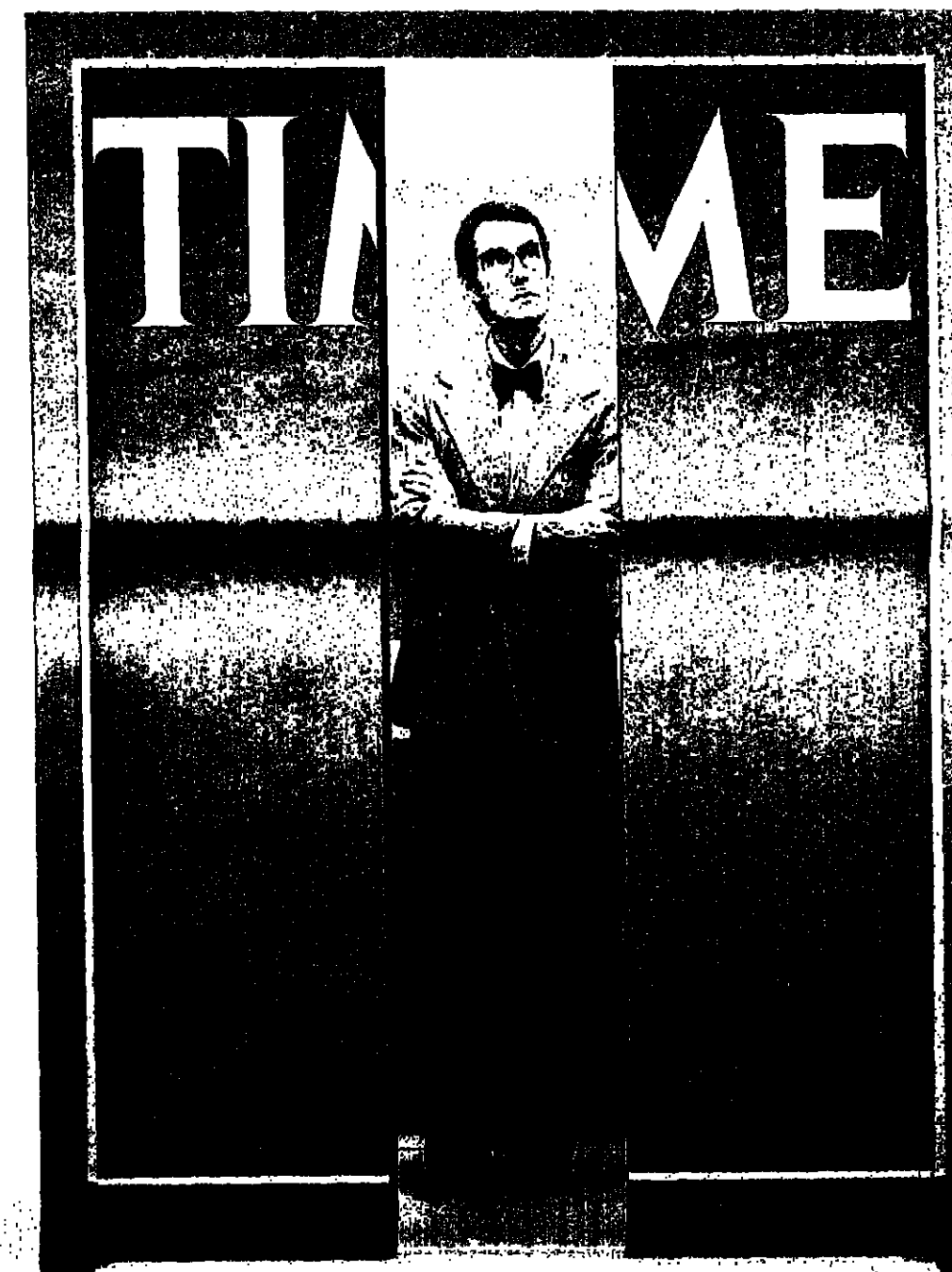
And a special section has a fascinating piece on how the media dollar has fared over the past five years.

Cost per thousand for newspapers has increased in current dollars by 145 per cent but in constant 1975 dollars only 27.7 per cent and the relative figures for television are 122 per cent and 15.7 per cent.

Magazine ads in four-colour show a different pattern with the current dollar cost per thousand up 64 per cent but the constant dollar rate actually down by 14.1 per cent.

Other tables show the extent to which the buying power of \$20,000 has been affected by rate increases and falls and rises in circulation/viewing in various media.

Nothing could better point up the continuing need for critical media appraisal.



TIME ELEVATES.

Which weekly news magazine can lift the tone of your advertising to the executive floor? (75% of our primary readers in business are managers or executives.) Which news magazine takes the world to the top each week? (76% of our primary readers have had tertiary education.) And which news magazine opens the door to the highest weekly circulation? That's right... TIME.

Survey of Time New Zealand primary readers by Erdos and Morgan, Aug-Oct., 1979.

Corporation status clouds road limit victory

by Bob Stott

IT was a significant victory for New Zealand Railways — or it would have been but for the timing of the announcements that the 150km limit on road transport would be retained and that a Railways Corporation would be established.

The decision to retain the 150km limit to regulate competition between road and rail was announced on December 22, when people were more interested in getting away on holiday than in calling emergency meetings of the executive or issuing press statements.

And so a process which had started in 1971 ended if not with a whimper, certainly without a resounding bang.

The Government announced in late 1971 that the American consultants Wilbur Smith and Associates had been hired to carry out a full-scale transport policy study. The

final report from the consultants was completed in October 1973; by early 1974, debate on the Wilbur Smith report was in full swing.

Wilbur Smith made these points among others:

• **Pricing:** The primary role of pricing is to serve as an allocative mechanism for traffic; thus where modes compete, price differences should reflect modes' relative marginal economic costs. Where financial costs and thus prices diverge from economic costs this should be corrected through taxation, or where necessary, through the manipulation of rail rates to retain the desired relative of mode prices.

• **Regulation:** The 64km limit, restricting road freight transport competition with rail, should be abolished and replaced by a special road tax on long distance transport



Colin McLachlan... view to improving efficiency

competing with over 64km of principal Government railway. Long-distance cartage should be free of capacity controls, and the transport licensing system for local road cartage should be reviewed in the future in the light of this experience, with deregulation as an ultimate goal.

Reform hasn't turned out as Wilbur Smith recommended. The 1977 Budget included an announcement that the 64km limit would be replaced by a 150km limit.

A special road tax on long-distance road transport competing with rail never saw the light of day, but the 1977 announcement outlined the road user charges scheme which is a "special tax" applying not only to trucks competing with rail over longer distances, but to all heavy vehicles.

The Wilbur Smith report did recommend that taxes to recover the cost of providing and servicing roads should be based on highway cost allocation studies, and this is what the road user charges are all about.

Throughout the 1970s, particularly last year, a strong lobby pressed for the removal of all (or most) restrictions on road's competition with rail.

The lobbyists may have been influenced by Wilbur Smith's claim that full implementation of his recommendations would realise savings of \$40 million a year on transport costs (in 1973 dollars on 1973 traffic volumes.)

More likely, most of the pressure groups didn't think through the effects of what they were proposing and were promulgating the dogma that if competition helped keep down the price of certain consumer goods, then it would force down the price of transport.

Ironically, among supporters of the free market in transport were farmers who had basked in guaranteed-price and controlled-market schemes since time immemorial.

Some business leaders also advocated open competition in transport, but seemed happy with monopolies and highly controlled markets in fields such as energy in all its forms, "standard fee scales" in most professions, recommended buying-and-selling prices for used cars, state-controlled prices for beer and for milk.

This column has always stressed that competition in a service industry such as transport must lead to waste — more investment and higher running costs to provide the competitive alternative, and all to get a finite quantity of goods to market.

Regulation helps prevent waste and over-investment, and railway economics, unlike highway economics, actually improve as traffic rises.

It is pleasing to note that the Government has adopted the same approach.

Transport Minister Colin McLachlan's announcement in December promised that railways would be built up with a view to improving efficiency on long hauls. He cited developments such as the North Island main trunk electrification as examples of what must be done to achieve this aim.

"Fuel use alone dictates that longer-haul freight should be carried by rail," he said. "At the same time the costs of road up-keep continue to climb so that the present level of road user charges is not sufficient to maintain the standard required."

This reiterates a point made on this column: while rail is running at a loss, the trucking industry fails to meet the full costs it imposes on the highway system.

The decision to retain the 150km limit was one of the most important made in transport for a decade. That it should have been reached in the face of heavy opposition is all the more to the Government's credit.

The Minister's statement also referred to possible extensions to the list of commodities exempt from the distance limit, and to a redefinition of the limit in certain areas.

There won't be much objection if a few more commodities are added to a list which consists mostly of perishable and fragile goods.

Redefinition arises from the fact that an arbitrary limit always produces anomalies. For instance, parts of the Wellington area are outside the 150km limit for haulage to and from Palmerston North. The same applies on the Auckland-Hamilton route.

Urban zones in such case may be justified so that all of each zone is regarded as within 150km of the next.

Any significant increase in the 150km limit would have opened up so much territory that policing would have become almost impossible and hardly worth while because little significant traffic (from a road point of view) would be left exclusively to rail.

The Railways Corporation move was almost inevitable. Road carriers, farmers, manufacturers, all three political parties, a former rail general manager, a former transport minister and countless others at different times had expressed support for the idea.

Control by commission boards and so on has been tried four times before in the history of the 100-year-old Railway Department. Each time a Government of the day is reverted to the department structure headed by a general manager responsible to a Minister.

The present system does have its advantages. If Railways want something done, management can pop up to see the Minister, who fixes things on the spot or brings the matter up at the next Cabinet meeting.

With a corporation, a Railways Minister would not be needed. Railways would be their own board, and would be channelled through that board's regular meeting. The link with Government could then be through a Transport Minister who often might want to refer matters to the Transport Ministry before deciding what to do. Then the path would lie through Cabinet as before.

So the chain of command is longer. Instead of general manager to Minister to Cabinet, it stretches to general manager through a corporation board to the Minister, to the department, and on.

Better-quality decisions might result, but there is scope for delay and procrastination.

A corporation won't automatically mean the end of losses. The corporation will be more able to close down the loss-makers, such as the Napier-Gisborne railway on the South Island West Coast line, than could a department. A system which sees Railways remunerated for providing the loss-making services, will place rail finances back in the black, but corporation control is not needed for this to happen.

So a corporation cannot be more "businesslike" than the present department, which is businesslike as anyone could wish for.

But Railways will have to do their best to make the corporation idea work. It has been said countless times that Railways were a corporation they could go places. Thousands of people believe that they are proved wrong. They won't have much sympathy for the NZR.

Complementing references with psychological tests

by Stewart MacKay

MANAGEMENT opinion in many companies is divided on the value of psychological testing, because the day-to-day business person is not a qualified psychologist.

A number of excellent and valuable tests have been developed. But the operating executive needs the answer to questions which are not easily discernable on psychological test reports.

The bases of psychological appraisals relate to attitudes, temperaments, aptitudes, and so on. It is not actual past performance which is tested, although all these factors have influenced past performance in a particular job and will obviously have a future bearing.

A more easily understood measure of an executive is track record. Reference checking is the most accurate way to establish how well a person has done their job in the past.

References substantiate a person's background and provide hard facts about their past achievements and personality. They also serve as ego boosters and are commonly held to be useful for getting jobs (although this view is not embraced by all).

With references, it is not so much what is seen but what is hidden which is vital. And hiding behind flimsy or substantial camouflage is the real person.

An obvious example is a statement that a particular individual chose to resign. This is, of course, different from saying they left of their own accord.

That big desk, behind which the reference-writer sits, sometimes hides a multitude of sins. Supervisors occasionally write kind things about subordinates not from compassion but from fellow feeling.

A picture of the complete person therefore is often hard to find, for it is what a reference does not say which is important. References disguise incom-

petence and lies. They hide full facts. And this can be seen often by comparison.

A quantity of cards and letters usually points to a lot of jobs, or a lot of friends, or both.

One good and substantiated reference is worth far more than 10 mediocre or flimsy testimonials.

But, even here there are traps for young players. For example, several years ago I read a reference, part of which said: "Mr X's career with this organisation has been marked with excellence. The economics he has effected have saved us thousands of dollars."

Never to the best of my knowledge as chief executive has Mr X done anything either to the detriment of himself or this organisation, and it is therefore only with the greatest reluctance that I accept his resignation," signed Mr Y.

I later discovered that Mr X was Mr Y's son-in-law, which somewhat debased the currency.

Where is the reference for the job before last? If he has left it at home, lost it or "didn't bother to pick it up", check it out.

A missing reference often means the jobhunter has something to hide. Their camouflage has a gaping hole and they are doing their best to plug it up.

Always look beyond the references given by the applicant. Try to seek out other sources within a company who could be even better authorities on how well the applicant did their job.

Talk to people with whom the job applicant has dealt (for example, talk to a salesman's customers).

Check those references you consider important. The telephone is both a great lie detector and a valuable medium for reference seeking. Former employers, and others, will be more candid on the phone: facts not easily committed to paper can be related easily and painlessly.

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Water is life

IMPORT LICENCE TENDERING SCHEME — CALL FOR TENDERS

Pursuant to the Import Control Regulations 1973, Amendment No. 3 (S.R. 1980/248) the Secretary of Trade and Industry, acting under delegated authority is calling tenders for import licences for the goods specified below. These goods constitute "Lot One" and the closing time and date for tenders is 5.00pm, 30 March 1981. Instructions for prospective tenderers and the general terms and conditions which apply to the submission and acceptance of tenders are set out in the Guide to the Import Licence Tendering Scheme. Copies of this guide and tender forms may be obtained from the Department of Trade and Industry and the Customs Department. Tenders should be addressed to the Registrar, Import Licensing Tendering, Department of Trade and Industry, Private Bag, Wellington. Tenders for "Lot One" will be opened on 31 March 1981 and official results will be published in the New Zealand Gazette.

LOT 1 — ROUND ONE					
TENDER NO.	ITEM CODES	TARIFF ITEMS	BRIEF DESCRIPTION	1ST ROUND ALLOCATION	LICENCE UNIT SIZE
1981/1	04.005	04.02.001	Milk & cream, preserved, concentrated or sweetened: liquid or semi-solid	\$14,000	\$2,000
		04.08.000	Natural honey		
1981/2	Ex 07.006	07.01.001	Vegetables, fresh or chilled (other than tomatoes, capers, olives, onions and mushrooms)	\$65,000	\$5,000
		07.01.088	Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder but not further prepared (other than herbs)		
		07.04.002	Stone fruit, fresh		
1981/3	08.005	08.07.001	Passionfruit, fresh	\$50,000	\$5,000
		08.07.008	Fruit provisionally preserved, but unsuitable in that state for immediate consumption		
		08.08.001	Peel of melons & citrus fruit, fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions		
1981/4	08.010	08.08.000	Strawberries, fresh	\$50,000	\$5,000
		08.08.000	Gooseberries, raspberries, blackberries		
		08.08.000	Other berries, fresh		
		08.10.000	Fruit (whether or not cooked) preserved by freezing, not containing added sugar		
1981/5	Ex 08.005	08.01.008	Roasted coffee, coffee substitutes containing coffee	\$8,000	\$1,000
1981/6	Ex 18.005	18.02.001	Malt extract	\$54,000	\$6,000
	Ex 18.02.008		Preparations of flour, meal, starch or malt extract, of a kind used as infant food or for diabetic or culinary purposes containing less than 50% by weight of cocoa (other than those preparations contained in item code 18.000)		
		18.05.000	Prepared foods obtained by the swelling or roasting of cereals or cereal products		
		18.07.008	Biscuits and other goods of Tariff Headings 18.07 and 18.08		
1981/7	20.005	20.01.000	Vegetables and fruits prepared or preserved by vinegar or acetic acid	\$50,000	\$5,000
		20.02.011	Vegetables prepared or preserved otherwise than by vinegar or acetic acid; other than capers & olives		
1981/8	20.010	20.03.001	Fruit preserved by freezing, containing added sugar	\$25,000	\$2,500
		20.03.008	Fruit, fruit peel & parts of plants preserved by sugar		
		20.04.001	Jams, fruit jellies, marmalades, fruit puree and fruit pastes, being cooked preparations whether or not containing added sugar		
		20.04.009			
		20.06.000			
		20.08.001	Stems and other parts of plants except fruit, preserved in syrup. Other preserved fruit of Tariff Heading 20.05		
1981/9	20.035	20.08.011	Fruit otherwise prepared or preserved, apricots, apples, berry fruit, fruit salad, peaches, pears, plums	\$200,000	\$20,000
		20.08.071	Saccharin and other synthetic sweetening substances in tablets or other dispensable forms	\$25,000	\$2,500
1981/10	Ex 21.005	21.07.001	Cordials and liqueurs	\$50,000	\$5,000
1981/11	Ex 22.005	22.08.019	Gin, geneva, schnapps in bottles	\$200,000	\$20,000
	Ex 22.018	22.08.011	Vodka in bottles	\$200,000	\$20,000
	Ex 22.020		Waters, including spa waters and aerated waters	\$200,000	\$20,000
1981/12	Ex 22.010	22.09.031			
		22.09.041			
1981/13	Ex 22.028	22.01.001			
		22.01.008			

- NOTE:**
- Tenderers should refer to the Customs Tariff and the Import Licensing Schedule for a definitive description of the goods included in the list above.
 - Tenderers should be conversant with the various statutes and regulations which importing enterprises are obliged to comply with, such as veterinary and quarantine approvals, the Food and Drug Regulations 1973, safety standards, duties and sales tax, the Sale of Liquor Act, etc where relevant.
 - Tenderers are reminded to use a separate tender bid form for each licence unit bid for.

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